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STATE OF CALIFORNIA

DEPARTMENT OF INSURANCE

VIDEOTAPED PUBLIC HEARING

IN RE: PROPOSED MERGER OF CIGNA CORPORATION INTO

ANTHEM, INC.

DATED: MARCH 29, 2016

CALIFORNIA DEPARTMENT OF INSURANCE

45 Fremont Street, 22nd Floor

CDI Hearing Room

San Francisco, CA 94105

ATKINSON-BAKER, INC.  
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REPORTED BY: DEBRA L. ACEVEDO-RAMIREZ, RPR, CSR. 7692  
Arizona 50807

FILE NO: AA03623

1	APPEARANCES:		1	COMMISSIONER JONES: Good afternoon and	12:58:32
2	FOR DEPARTMENT OF INSURANCE:		2	welcome to the California Department of Insurance. My	12:58:33
3	DAVE JONES, INSURANCE COMMISSIONER		3	name is Dave Jones, and I have the privilege of serving	12:58:34
4	JANICE ROCCO, ESQ.		4	as California's Insurance Commissioner, and I wish to	12:58:39
5	BRUCE HUNTER HINZE, ESQ.		5	welcome you to this hearing on the proposed acquisition	12:58:40
6	Assistant Chief Counsel		6	of Cigna Corporation by Anthem.	12:58:45
7	Department of Insurance		7	As I said a moment ago I have the privilege of	12:58:50
8	Legal Division		8	as serving an Insurance Commissioner and leading the	12:58:53
9	45 Fremont Street, 24th floor		9	California Department of Insurance, which regulates	12:58:54
10	San Francisco, CA		10	California's insurance industry where insurers collect	12:58:57
11	Bruce.Hinze@Insurance.ca.gov		11	\$259 billion in premium annually. We're the largest	12:59:01
12	Madison Voss, deputy press secretary		12	insurance market in the United States, and I'm very	12:59:07
13	Department of Insurance Communications and Press		13	appreciative of the assistance I get in that regulatory	12:59:10
14	Relations		14	role from the very able and talented staff of the	12:59:13
15	300 Capitol Mall, Suite 1700		15	California Department of Insurance.	12:59:16
16	Sacramento, CA 95814		16	Today we're in our office in San Francisco,	12:59:18
17	Madison.Voss@Insurance.ca.gov		17	and the subject of today's hearing is a proposed merger	12:59:20
18	FOR ANTHEM:		18	between Anthem, the nation's second largest health	12:59:23
19	JAY WAGNER, ESQ.		19	insurer, and Cigna, the nation's fifth largest health	12:59:27
20	JARED R. DANILSON, ESQ.		20	insurer. The merger of these two companies would make	12:59:31
21	WHITE & CASE, LLP		21	Anthem the nation's largest health insurer.	12:59:33
22	1155 Avenue of the Americas		22	We have a court reporter, who is recording the	12:59:36
23	New York, NY 10036		23	proceedings, and there's a little bit of background	12:59:40
24	FOR CIGNA:		24	noise coming from a cell phone. So that's probably a	12:59:44
25	TOM RICHARDS		25	good moment for me to remind folks to, please, check	12:59:47
	900 Cottage Grove Road				
	Hartford, Connecticut 06152				
	ANDREW R. HOLLAND, ESQ.				
	SIDLEY AUSTIN, LLP				
	787 Seventh Avenue				
	New York, NY 10019				
	WEIDONG WANG, ESQ.				
	KENNETH SCHNALL, ESQ.				
	DENTONS				
	--o0o--				
	Page 2			Page 4	
1	INDEX		1	their cell phones and turn them off and you're happy to	12:59:51
2	WITNESSES:		2	take any calls that you might need to take out in the	13:00:00
3	PAGE		3	hallway, and we just ask that out of respect for the	13:00:01
4	JAY WAGNER, ESQ. For Anthem	14	4	public and those that are watching as well, we try to	13:00:08
5	TOM RICHARDS for Cigna	26	5	keep the interruptions to a minimum.	13:00:10
6	PROFESSOR BRENT FULTON for		6	This proceeding is being transcribed by a	13:00:13
7	University of California Berkeley	72	7	court reporter. I've already told her that she should	13:00:16
8	FRANCISCO SILVA, ESQ. for		8	throw a flag if I go too fast or any witness goes too	13:00:19
9	California Medical Association	90	9	fast. We'll be taking some breaks throughout the	13:00:24
10	HENRY ALLEN, ESQ. for		10	proceeding as well to give her a chance and the	13:00:26
11	American Medical Association	96	11	witnesses a chance to rest.	13:00:28
12	TAMEKA ISLAND for		12	There are restroom facilities along the	13:00:31
13	California Physical Therapy Association	113	13	corridor on this floor. There's a drinking fountain and	13:00:34
14	DENNIS LINCOLN		14	that's about all we have to offer you. We are the	13:00:38
15	California Physical Therapy Association	117	15	government, after all. And so, again, we're most	13:00:41
16	DAVID BALTO, consumer advocate and former		16	appreciative.	13:00:45
17	policy director of the Federal Trade		17	Judging by the attendance here in this hearing	13:00:46
18	Commission	122	18	room, this is obviously a matter of great public	13:00:49
19	TAMEKA MA for		19	interest. We're also streaming this live on the	13:00:52
20	Health Access of California	130	20	internet through our Department of Insurance Website and	13:00:56
21	CARMEN BALBER for Consumer Watchdog	135	21	there will be a digital recording of this proceeding	13:01:00
22	ANTHONY GALACE for Greenlining	141	22	that will be available for folks going forward.	13:01:05
23	KEVIN STEIN for California Reinvestment		23	The proposed merger transaction has been	13:01:09
24	Coalition	144	24	valued at \$54.2 billion when it was announced in July of	13:01:12
25	ELIZABETH IMHOLZ for Consumer Unions	149	25	last year. I am holding this public hearing, because	13:01:16
	--o0o--				
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1	it's very important to me to hear from the public about	13:01:19	1	insurance coverage.	13:03:57
2	the potential impacts of this proposed merger on	13:01:22	2	So, in addition to the overlapping geographic	13:03:57
3	consumers, businesses, and California's insurance	13:01:24	3	area in which Anthem and Cigna do business in the	13:04:01
4	market.	13:01:28	4	individual and large group health insurance markets, the	13:04:04
5	We're joined today by executives and counsel	13:01:29	5	self-insured market will be impacted as well.	13:04:07
6	from Anthem and Cigna, who will testify about the	13:01:31	6	So I look forward to hearing from all the	13:04:11
7	proposed merger, and be available to answer questions,	13:01:34	7	witnesses and the public today, but, in particular, I am	13:04:13
8	and I'm most appreciative -- and we will have a chance	13:01:39	8	interested in hearing testimony about the following	13:04:16
9	to have them introduce themselves in a moment, but I am	13:01:41	9	issues, and let me offer these by way of guidance to the	13:04:18
10	most appreciative of their participation in today's	13:01:43	10	witnesses.	13:04:22
11	hearing.	13:01:45	11	One. The impact of the proposed merger on	13:04:23
12	We'll also hear from academics, medical	13:01:46	12	competition in the California health insurance	13:04:26
13	provider organizations, consumer organizations and	13:01:49	13	marketplace for each market segment and for each	13:04:29
14	members of the public, who will be afforded an	13:01:52	14	geographic region throughout California.	13:04:32
15	opportunity to testify directly about the proposed	13:01:54	15	Two. The implications for consumers of	13:04:35
16	merger.	13:01:57	16	increased concentration in the California health	13:04:39
17	The merger of Cigna Corporation with Anthem,	13:01:59	17	insurance marketplace.	13:04:43
18	Incorporated would result in a change of control of	13:02:02	18	Three. The impact of the proposed merger on	13:04:45
19	Cigna Health and Life Insurance Company, a	13:02:04	19	consumer premiums and out-of-pocket health care costs.	13:04:48
20	Connecticut-domiciled insurer licensed to do business in	13:02:09	20	Four. The impact of the proposed merger on	13:04:53
21	the State of California and regulated by the California	13:02:10	21	medical provider and medical facility network	13:04:56
22	Department of Insurance.	13:02:13	22	contracting and prices.	13:04:59
23	Cigna Health and Life Insurance Company wrote	13:02:15	23	Five. The impact of the proposed merger on	13:05:03
24	approximately \$899 million in premiums in California	13:02:19	24	medical provider network design, including the ability	13:05:06
25	alone in 2014 with over 480,000 covered lives in	13:02:24	25	of consumers currently covered by each respective	13:05:09
Page 6			Page 8		
1	commercial products in California.	13:02:30	1	company to continue to receive care from their current	13:05:13
2	In 2014, Cigna had total revenues nationwide	13:02:33	2	medical providers on an in-network basis.	13:05:16
3	of roughly \$34.9 billion. Anthem has approximately 4	13:02:37	3	Six. The efficiencies, if any, expected from	13:05:20
4	million covered lives in California's commercial market	13:02:42	4	the proposed merger and their implications for the cost	13:05:24
5	and government programs. Anthem's total nationwide	13:02:46	5	and the quality of care delivered to consumers in	13:05:27
6	revenue in 2014 was \$73.9 billion. Anthem's already the	13:02:49	6	California.	13:05:30
7	largest health insurer in California's individual market	13:02:55	7	And seven. Any anticipated divestitures that	13:05:30
8	and the second largest behind Kaiser in California's	13:02:58	8	will result from the merger and the implications of	13:05:36
9	commercial insurance market. Anthem is also the largest	13:03:01	9	those divestitures if they occur for consumers in	13:05:40
10	player in California's ASO or Administrative Services	13:03:06	10	California.	13:05:43
11	Organization market with Cigna as a second largest	13:03:09	11	The biggest question that I have is whether	13:05:45
12	player in California's ASO, or Administrative Services	13:03:13	12	this merger will benefit or harm California consumers,	13:05:47
13	Organization market.	13:03:18	13	businesses, and the California health insurance market.	13:05:52
14	A major part of both companies' businesses is	13:03:18	14	The burden is on Anthem and Cigna to demonstrate that	13:05:55
15	the provision of administrative services and medical	13:03:23	15	the merger will benefit California consumers,	13:05:59
16	provider networks to self-insured employers.	13:03:23	16	businesses, and the California health insurance	13:06:03
17	Anthem reports 2.25 million covered lives in	13:03:28	17	marketplace.	13:06:06
18	self-insured plans it administers, and Cigna reports	13:03:32	18	I will tell you in light of the academic	13:06:07
19	approximately 1.63 million covered lives in self-insured	13:03:35	19	studies, some of which we will hear about today, which	13:06:10
20	plans it administers, which totals almost 3.9 million in	13:03:41	20	demonstrate that consumers have not benefitted from	13:06:13
21	the self-insured market with these two companies	13:03:44	21	prior health insurance mergers, I have some significant	13:06:18
22	combined.	13:03:46	22	skepticism about the benefits of the merger. But, I	13:06:21
23	This administrative services market or ASO	13:03:47	23	will reserve judgment until I've had a chance to hear	13:06:24
24	market is how millions of Californians and their	13:03:50	24	from the companies from stakeholders and from witnesses,	13:06:27
25	families with employer-based coverage get their health	13:03:53	25	including importantly, the public.	13:06:31
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1	I do not plan to come to a conclusion today	13:06:33	1	The next segment will be consumer	13:09:23
2	about the proposed merger. In addition to the testimony	13:06:36	2	organizations. I hear we have a number of California	13:09:25
3	that we will take today and the written comments that	13:06:39	3	and National consumer organizations that will be	13:09:29
4	have already been provided to the department, I welcome	13:06:42	4	testifying, and then finally, we'll open it up to public	13:09:31
5	and invite the public, especially those that were unable	13:06:46	5	testimony from any member of the public who wishes to	13:09:34
6	to join us in San Francisco today, to submit their	13:06:49	6	testify about the merger.	13:09:38
7	written comments to the California Department of	13:06:52	7	Our goal is to accomplish that by 5 o'clock.	13:09:41
8	Insurance by Friday, 5 o'clock on April 1st. That's	13:06:54	8	We'll have to take some breaks, most importantly, for	13:09:47
9	this Friday, 5 o'clock. You can e-mail your comments to	13:06:58	9	all of us here, and the court reporter.	13:09:51
10	me care of Kayte. That's K-A-Y-T-E dot Fisher,	13:07:03	10	So, I'll be setting some guidelines as we go	13:09:51
11	F-I-S-H-E-R, at insurance dot CA dot GOV. And she truly	13:07:11	11	with regard to the duration of the testimony that I'd	13:09:55
12	appreciates my handing out her e-mail address to the	13:07:17	12	ask people to please respect. I want to make sure we	13:10:00
13	entire population of California. But, we are prepared	13:07:21	13	leave time for everyone to testify, as well as an	13:10:03
14	to receive, and indeed want to receive, as many comments	13:07:25	14	opportunity for questions.	13:10:05
15	as possible from the public stakeholders and anyone	13:07:28	15	So, with that, what I would like to do now is	13:10:07
16	interested in this matter. It's critically important.	13:07:32	16	move to our first panel, which is a panel composed of	13:10:12
17	It's a tremendously important potential transaction and	13:07:35	17	representatives by Cigna and Anthem. I would ask if you	13:10:14
18	one in which the public ought to be heard, so I will	13:07:39	18	could -- we have three people that we had identified as	13:10:17
19	carefully consider, both, the testimony we receive today	13:07:44	19	testifying. There may be others. But, I would ask if	13:10:22
20	and all comments submitted.	13:07:46	20	it would be possible if there are three people that are	13:10:26
21	Once I have reviewed all the materials	13:07:48	21	going to be testify, if you could keep your testimony	13:10:28
22	compiled by department staff and submitted by the	13:07:50	22	to, say, less than ten minutes each. That would afford	13:10:31
23	insurers, interested stakeholders and the general	13:07:52	23	some time for questions and then allow us to move	13:10:35
24	public, I will make a decision about whether this merger	13:07:56	24	through the next panels.	13:10:38
25	will benefit Californians.	13:08:00	25	I'll ask each of you that plans to testify to,	13:10:39
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1	I will also make a recommendation to the	13:08:02	1	please, identify yourselves and if there are -- maybe	13:10:43
2	Department of Justice, and the Federal Trade Commission,	13:08:04	2	the best thing actually is if we just go down the row	13:10:48
3	both, of which have authority to disapprove or approve	13:08:07	3	here at the table, and you can identify yourselves and	13:10:53
4	the merger.	13:08:10	4	then when you testify, identify yourself again.	13:10:53
5	I will also be making a recommendation to	13:08:11	5	So I'm going to start at what is my left, but	13:10:55
6	other insurance commissioners or insurance	13:08:13	6	what is the right of the witness table with Mr. Gene	13:10:58
7	superintendents with approval authority over this	13:08:15	7	Livingston.	13:11:02
8	specific merger.	13:08:18	8	MR. LIVINGSTON: Mr. Commissioner, I'm Gene	13:11:02
9	So, that in a nutshell is the nature of the	13:08:20	9	Livingston of Greenberg, Troy and representing Anthem	13:11:07
10	proceeding and the kinds of testimony I hope we receive	13:08:25	10	and I will not be testifying.	13:11:07
11	and how we plan to proceed. We do have an agenda that	13:08:29	11	MR. DANILSON: Jared Danilson, White and Case,	13:11:11
12	we've provided and we've divided the afternoon up into	13:08:35	12	counsel for Anthem. Also will not be testifying.	13:11:13
13	essentially five different segments.	13:08:39	13	MR. WAGNER: Jay Wagner, vice president and	13:11:16
14	First, we'll have an opportunity to hear	13:08:44	14	counsel of Anthem. I will be testifying, and there will	13:11:19
15	directly from Cigna and Anthem and their	13:08:46	15	just be myself and Tom Richards.	13:11:21
16	representatives, and next, we'll have an opportunity to	13:08:49	16	MR. RICHARDS: And I'm Tom Richards. I'm with	13:11:23
17	receive some expert testimony, including testimony from	13:08:52	17	Cigna, and as Jay said, I will be testifying.	13:11:25
18	a research institute at the University of California	13:08:58	18	MR. HOLLAND: Andrew Holland from Sidley	13:11:29
19	Berkeley, but also, testimony from the Department of	13:09:01	19	Austin. We represent Cigna as regulatory counsel. I	13:11:31
20	Insurance with regard to claims handling practices of	13:09:04	20	will not be testifying.	13:11:34
21	the two companies.	13:09:10	21	MR. SCHNALL: Kenneth Schnall from Denton's.	13:11:35
22	Next, we'll have a chance to hear from the	13:09:11	22	Counsel for Cigna.	13:11:38
23	provider community, and we have testimony from the	13:09:12	23	COMMISSIONER JONES: Welcome, gentlemen. And	13:11:41
24	California Medical Association, American Medical	13:09:18	24	who would like to begin, Mr. Richards or Mr. Wagner?	13:11:44
25	Association and the Physical Therapy Association.	13:09:22	25	MR. WAGNER: I think I will. Thank you,	13:11:50
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1 Commissioner.	13:11:50	1 effectiveness of their own treatment protocols and	13:14:13
2 COMMISSIONER JONES: Very good.	13:11:50	2 identify factors that impact patient outcomes, both,	13:14:14
3 JAY WAGNER:	13:11:50	3 positively and negatively. This helps providers do more	13:14:18
4 MR. WAGNER: As I said, my name is Jay Wagner,	13:11:51	4 what they do best, deliver care to patients and increase	13:14:25
5 vice president and counsel of Anthem, Inc. I would like	13:11:54	5 the overall health and wellness of our patients here in	13:14:29
6 to thank the Commissioner and staff for inviting us to	13:11:55	6 California. This is something we can only do more	13:14:32
7 this hearing.	13:11:57	7 effectively and deliver more quickly for California's	13:14:36
8 Today, I would like to provide an overview of	13:11:59	8 consumers if Anthem and Cigna do it together.	13:14:38
9 this highly complementary nature of proposed	13:12:01	9 Anthem and Cigna are committed to aligning	13:14:41
10 Anthem-Cigna accommodation to discuss the limited	13:12:06	10 incentives to encourage smarter, collaborative decision	13:14:44
11 competitive impact of the transaction on insurance in	13:12:08	11 making that fosters healthier outcomes in a better	13:14:46
12 California and to describe the value that would result	13:12:12	12 patient experience. This focus has allowed us to give	13:14:50
13 for individual consumers, employers, providers, and our	13:12:14	13 more care provided under value-based umbrella, which	13:14:52
14 health care system.	13:12:18	14 will only grow as a result of a proposed transaction,	13:14:54
15 A quick overview of the merger. We are very	13:12:21	15 having a more immediate impact on our ability to bring	13:14:58
16 excited about the merger with Cigna, and the positive	13:12:23	16 down the total cost of care while improving quality.	13:15:00
17 impact we expect the combined company to have on the	13:12:26	17 In California from San Diego to the Oregon	13:15:03
18 health care industry. The merger agreement in short	13:12:29	18 border Anthem has 19 accountable care organizations with	13:15:06
19 calls for a two-step merger, which in the end Cigna	13:12:32	19 some of the largest providers -- provider groups.	13:15:10
20 Corporation will merge with and into Anthem, Inc. and	13:12:36	20 Anthem's first in the nation partnership with seven of	13:15:13
21 the separate corporate existence of the parent Cigna	13:12:39	21 the top leading hospitals in the Los Angeles and Orange	13:15:17
22 will cease and Anthem will continue as a surviving	13:12:42	22 County area has enabled us to launch Vivity, an	13:15:19
23 corporation, and the ultimate parent of the Cigna	13:12:45	23 integrated health system, that moves away from	13:15:22
24 subsidiaries. To be clear, these mergers do not involve	13:12:48	24 traditional fee for service and toward a structure that	13:15:25
25 merging any insurance company or HMO of either Anthem or	13:12:51	25 financial rewards activities that keep patients healthy,	13:15:27
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1 Cigna. Simply the parent companies. Nor does the	13:12:55	1 simplifying access, improving outcomes and make costs	13:15:31
2 transaction involve a change of control of a California	13:12:58	2 more predictable.	13:15:35
3 domestic insurance company.	13:13:01	3 I'll mention -- I'll mention something about	13:15:38
4 Under Anthem, the day-to-day ordinary course	13:13:03	4 the committed and impact of the merger. A lot has been	13:15:40
5 of business with the Cigna entities will continue in the	13:13:05	5 said about the consolidation nationally the five largest	13:15:44
6 same manners as prior to the closing. The goal of this	13:13:08	6 insurers to three, but to characterize the industry as	13:15:47
7 transaction is to provide a better product to	13:13:12	7 only having five major players is not necessarily	13:15:50
8 stakeholders in our ever-changing, increasingly	13:13:15	8 correct.	13:15:53
9 competitive health care industry.	13:13:19	9 The marketplace in California is competitive	13:15:54
10 I'll talk a little bit about the complementary	13:13:21	10 and dynamic. The top competitors in California are a	13:15:56
11 nature of the combination. This merger is about	13:13:24	11 diverse group of insurers from Kaiser, the leading	13:15:59
12 bringing together complementary capabilities of Anthem	13:13:27	12 commercial health plan in California, to Blue Shield of	13:16:03
13 and Cigna to increase accessibility, improve	13:13:29	13 California, Aetna, United Health, Health Net, Sharp	13:16:06
14 affordability, and enhance health care quality.	13:13:33	14 Health Plan, Sutter Health Plan, and Molina, among	13:16:10
15 The combined company will engage in the	13:13:37	15 others.	13:16:13
16 innovative and collaborative use of health care data to	13:13:41	16 In fact, a total of 12 health insurance	13:16:15
17 improve continuity of care while containing rising	13:13:42	17 companies or plans offer products on Covered California,	13:16:15
18 health care costs, improving predictability, and more	13:13:45	18 the state based individual exchange. Health insurance	13:16:18
19 efficiently, delivering services.	13:13:48	19 is not one size fits all. Consumers now have and will	13:16:21
20 The combined Anthem-Cigna will make possible	13:13:51	20 continue to have a broad choice in obtaining affordable	13:16:25
21 data driven, evidence based medical protocols, that	13:13:53	21 healthcare.	13:16:25
22 enable providers to improve patient care and safety and	13:13:57	22 In 2015, the number of health insurers	13:16:29
23 deliver services more efficiently. By providing a	13:14:02	23 increased by 26 percent across the country, and nearly	13:16:31
24 holistic view of our members across the health care	13:14:06	24 60 percent of U.S. counties experience the addition of	13:16:35
25 system, providers can more quickly evaluate the	13:14:08	25 at least one insurer. Entry is easier than it has been	13:16:38
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1	in recent memory.	13:16:41	1	provider network, negotiate reimbursement rates and	13:19:05
2	In 2014, alone, at least 30 new companies	13:16:43	2	process claims.	13:19:09
3	began competing to provide insurance company in the U.S.	13:16:46	3	ASO customers bear all the risks and costs in	13:19:11
4	2015, another other 70 were introduced.	13:16:48	4	insuring their employees, themselves. As a result, the	13:19:15
5	That's more than 100 new entrances in two years. In	13:16:51	5	sale of these administrative services is not insurance	13:19:16
6	additions -- in addition, hospitals and providers are	13:16:54	6	as regulated by the department, but rather regulated	13:19:20
7	increasingly offering their own plans. A recent PWC	13:16:57	7	under ARISA.	13:19:23
8	study found that approximately half of all U.S. health	13:17:01	8	Moreover, this segment is highly competitive.	13:19:25
9	systems have applied or intend to apply for insurance	13:17:04	9	It is characterized by large employer customers who are	13:19:28
10	license. Start ups are also making head way.	13:17:07	10	extremely sophisticated buyers with entire teams	13:19:30
11	For example, Oscar, a 2014 New York base start	13:17:09	11	dedicated to finding the best deals for their companies,	13:19:34
12	up has expanded beyond New York and New Jersey into	13:17:13	12	and they commonly use consultants to ensure they receive	13:19:35
13	Texas and here in California.	13:17:17	13	the most competitive advantage.	13:19:38
14	In January of 2016 Oscar reported 125,000	13:17:18	14	Value of Anthem and Cigna combination to	13:19:44
15	members, more than three times its January 2015	13:17:21	15	consumers. Anthem has served California for decades	13:19:47
16	enrollment across these four states.	13:17:25	16	through its Blue Cross of California, Blue Cross Life	13:19:50
17	We understand that Oscar plans to enroll	13:17:27	17	and Health Insurance Company, and CareMore Health Plan	13:19:53
18	1 million customers within five years and operate in up	13:17:29	18	subsidiaries.	13:19:56
19	to 30 markets.	13:17:31	19	The combination of Anthem and Cigna will bring	13:19:57
20	When we look at each of Anthem and Cigna's	13:17:33	20	together the complementary platforms of both companies	13:19:59
21	shares of membership in commercial health insurance and	13:17:37	21	in a way that will uniquely benefit consumers. Anthem	13:20:01
22	health plan services overall, and in each of the fully	13:17:39	22	brings an extensive network of providers, leading care	13:20:05
23	insured individual, small group and large group lines of	13:17:42	23	coordination programs and Medicare advantage and	13:20:08
24	insurance in California, it is clear that the	13:17:46	24	Medicaid, 24/7 access to licensed providers via	13:20:10
25	transaction will not have an adverse impact on	13:17:49	25	TeleHealth and more than 75 years of experience in	13:20:14
Page 18			Page 20		
1	competition.	13:17:51	1	commercial insurance.	13:20:16
2	According to data provided by Mark Fare and	13:17:53	2	Cigna brings its own distinct strengths,	13:20:18
3	Associates, Cigna has less than two percent of the	13:17:56	3	including consumer centric technology, highly regarded	13:20:20
4	individual membership in California. While Cigna no	13:17:59	4	wellness program, substantial expertise in the	13:20:25
5	longer markets small group insurance, the data -- the	13:18:01	5	international market and leading specialty capabilities	13:20:28
6	fully insured group enrollment data shows that the	13:18:05	6	like dental, vision, behavioral, life and disability	13:20:30
7	merger will result in an increase in share of California	13:18:08	7	coverage.	13:20:33
8	of only 2.51 percent due to the limited business of	13:18:11	8	As health care evolves, consumers are	13:20:34
9	Cigna.	13:18:15	9	demanding more information from a variety of trusted	13:20:36
10	Looking at yet another data source, Health	13:18:16	10	resources in order to make more informed decisions. We	13:20:39
11	Leaders Inter-Study, the merger will result in just a	13:18:19	11	know that consumers want more transparency when it comes	13:20:42
12	nominal increase in share of 1.94 percent across the	13:18:21	12	to their expected cost and quality of health care	13:20:46
13	fully insured segment in California.	13:18:24	13	provided by their doctors and hospitals, and we have	13:20:49
14	Furthermore, in all but one of 26 California	13:18:27	14	seen that making this information available to consumers	13:20:52
15	metropolitan statistical areas, the combined company's	13:18:31	15	and providers leads to better health outcomes and cost	13:20:54
16	fully insured share would increase by less than three	13:18:34	16	savings to the health care system. For example, Anthem	13:20:57
17	percent. In that loan, MSA, the Santa Maria, Santa	13:18:37	17	and Cigna partnered with third party transparency	13:21:01
18	Barbara MSA, the increase would only be 3.5 percent.	13:18:42	18	vendors like Castlight Health and Health Care Blue Book	13:21:05
19	The only segment where there is any real	13:18:45	19	to make sure the consumers have clear line sight into	13:21:06
20	overlap in California would be the self-insured or	13:18:47	20	the price variation -- variations that exist often with	13:21:09
21	administrative services only business.	13:18:51	21	the same geography or network.	13:21:13
22	ASO customers are typically large employers	13:18:53	22	To encourage greater costs and quality	13:21:16
23	who pay for employees' medical claims directly and	13:18:56	23	competition among providers and to help consumers make	13:21:19
24	simply use an insurer or third-party administrator for	13:18:59	24	better informed decisions about where to seek health	13:21:22
25	administrative services, including to arrange for a	13:19:02	25	care services, we implemented a reference based pricing	13:21:23
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1	program in partnership with CalPERS.	13:21:27	1	loss ratio, the very purpose of which is to create a	13:23:43
2	In coordination with CalPERS we took on the	13:21:29	2	regulatory structure that helps to ensure that such	13:23:45
3	problem of significant price variation across California	13:21:31	3	savings are passed through to customers will ensure that	13:23:47
4	providers for knee and hip replacement surgeries by	13:21:35	4	fully insured customers will benefit.	13:23:50
5	utilizing reference based-pricing and educating and	13:21:39	5	For large group customers, Anthem must spend	13:23:54
6	incentivizing consumers and providers through price	13:21:44	6	85 percent of premium dollars on medical services.	13:23:56
7	transparency CalPERS experienced a 20 percent increase	13:21:46	7	For small group or individual customers,	13:23:57
8	in patients who chose more affordable, high quality	13:21:49	8	Anthem must spend 80 percent on medical services. All	13:24:00
9	providers for these procedures.	13:21:52	9	other administrative costs must be paid for within the	13:24:03
10	Anthem also brings its live health online	13:21:54	10	remaining 15 to 20 percent of revenue. ASO customers	13:24:07
11	product that provides consumers access to providers from	13:22:00	11	will also recognize savings as a result of combination.	13:24:10
12	home and during the weekends and evenings, which enables	13:22:00	12	As previously mentioned, ASO customers bear	13:24:14
13	engagement of a wider audience, including rural	13:22:03	13	the cost of the employee's medical care; and therefore,	13:24:18
14	populations.	13:22:06	14	will benefit directly from the cost of care savings	13:24:20
15	Moreover, Anthem has just introduced online	13:22:07	15	resulting from the combination.	13:24:23
16	visits with psychologists and therapists through this	13:22:09	16	The California Senate Committee on Health	13:24:26
17	product, which will also serve to benefit Cigna members	13:22:11	17	issued it's health care market consolidations paper this	13:24:29
18	in the futures.	13:22:15	18	month, which concludes that, "Healthcare economists	13:24:31
19	Lastly, we have partnered with America's	13:22:16	19	indicate that the market power of certain health care	13:24:34
20	health insurance plans to launch a new initiative to	13:22:16	20	providers is a major driver of price increases in health	13:24:36
21	identify solutions to improve the accuracy and	13:22:21	21	care spending. A study on the impact of health care	13:24:40
22	efficiency of provider data reporting. The objective of	13:22:24	22	provider market power on premiums for products available	13:24:43
23	this pilot is to improve consumers' access to care and	13:22:26	23	in 2014 through covered California conducted by	13:24:45
24	provide information needed to make the most informed	13:22:29	24	researchers at the University of California Berkeley	13:24:49
25	decisions about their medical care.	13:22:32	25	found that the concentration of medical groups and	13:24:52
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1	As to efficiencies, currently Anthem has	13:22:35	1	hospitals had an impact on premium rates in California's	13:24:54
2	identified cumulative, annual pre-text, run rate	13:22:38	2	19 health insurer rating regions."	13:24:58
3	synergies and efficiencies of over 2 billion.	13:22:41	3	At the same time the researchers found that	13:25:01
4	There will be efficiencies derived from	13:22:44	4	"The concentration of health plans did not have an	13:25:04
5	medical network synergies and efficiencies, likely	13:22:46	5	impact on premiums."	13:25:06
6	substantial synergies and efficiencies from	13:22:50	6	Other studies included that insurer	13:25:09
7	complementary selling, pharmacy synergies and	13:22:52	7	consolidation can actually have downward pressure on	13:25:11
8	efficiencies operating expense synergies and	13:22:55	8	health care costs.	13:25:13
9	efficiencies and other likely synergies and	13:22:58	9	A 2011 health affairs article a 2015 paper	13:25:15
10	efficiencies.	13:22:58	10	published by the journal of health economics showed that	13:25:19
11	Medical and network synergies and efficiencies	13:23:01	11	more concentrated health plan markets can counteract the	13:25:23
12	that will result in cost savings include building upon	13:23:03	12	price increase affects of concentrated hospital markets.	13:25:27
13	the best of Anthem and Cigna's existing provider	13:23:06	13	The health affairs article stated that a more	13:25:29
14	relationship to obtain the best cost, quality and access	13:23:09	14	concentrated health insurer landscape brought down	13:25:31
15	for our members.	13:23:13	15	prices by 12 percent.	13:25:34
16	Using the increased scope of the combined	13:23:14	16	In addition a 2015 Moody's analysis concluded	13:25:35
17	company leading to better products and offerings,	13:23:16	17	that health insured conduct consolidation will put	13:25:39
18	including data analytics across the two platforms to	13:23:19	18	downward pressure on drug prices.	13:25:42
19	engage providers in more meaningful ways to reduce cost	13:23:22	19	In closing, I would like to thank Commissioner	13:25:45
20	and expanding value-based reimbursement and	13:23:26	20	and the Department of Insurance for providing us with	13:25:47
21	provider-collaboration programs more quickly to further	13:23:29	21	the opportunity to speak today on behalf of the merger,	13:25:49
22	lower medical costs and advance important public policy	13:23:32	22	which as I've briefly detailed, would bring together two	13:25:52
23	goals.	13:23:36	23	highly complementary organizations that would provide	13:25:55
24	Fully insured customers will benefit from	13:23:36	24	substantial benefits to consumers.	13:25:58
25	lower medical costs. The affordable care acts medical	13:23:38	25	Finally, I believe it is also worth repeating	13:26:01
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1	that at its core the proposed Anthem-Cigna combination	13 : 26 : 03	1	advantage or Medicaid plans in California.	13 : 28 : 23
2	represents a significant step forward on a path to a	13 : 26 : 07	2	With respect to administrative services only	13 : 28 : 26
3	21st century health care system that reflects a shared	13 : 26 : 10	3	business offered by insurers, Cigna falls behind other	13 : 28 : 28
4	vision of greater value for consumers, increased access	13 : 26 : 13	4	national insurers, such as, United Health Group and	13 : 28 : 32
5	and choice, greater affordability and better outcomes	13 : 26 : 16	5	Aetna.	13 : 28 : 33
6	achieved through innovation and collaboration.	13 : 26 : 20	6	In addition, there is a broad range of	13 : 28 : 34
7	Thank you.	13 : 26 : 23	7	competitors for the self-insured customer segment beyond	13 : 28 : 36
8	COMMISSIONER JONES: Thank you, Mr. Wagner.	13 : 26 : 24	8	traditional insurers, such as, third-party	13 : 28 : 42
9	THOMAS RICHARDS	13 : 26 : 24	9	administrators, which are not required to report their	13 : 28 : 44
10	MR. RICHARDS: Good afternoon.	13 : 26 : 27	10	enrollment; and as a result any publicly available	13 : 28 : 48
11	Thank you, Commission Jones and the Department	13 : 26 : 31	11	self-insured market share data is likely to be	13 : 28 : 51
12	of Insurance, for the opportunity to speak at today's	13 : 26 : 31	12	incomplete.	13 : 28 : 53
13	hearing.	13 : 26 : 35	13	With respect to the affect of the proposed	13 : 28 : 55
14	My name is Thomas Richards, and I'm the global	13 : 26 : 35	14	transaction on Cigna's operations in California, the	13 : 28 : 57
15	lead for strategy and business development at Cigna.	13 : 26 : 38	15	proposed transaction with Anthem will result in an	13 : 29 : 00
16	Today, I would like to do three things.	13 : 26 : 41	16	indirect change of control of all of Cigna's	13 : 29 : 03
17	First, provide an overview of Cigna and Cigna's current	13 : 26 : 44	17	subsidiaries.	13 : 29 : 06
18	operations in California; second, briefly describe the	13 : 26 : 48	18	As I noted previously, Cigna has filed a	13 : 29 : 07
19	effective of the proposed transaction on Cigna's	13 : 26 : 50	19	notice of material modification filing with the	13 : 29 : 09
20	operations in California; and finally, explain why we	13 : 26 : 53	20	department of managed health care in connection with the	13 : 29 : 12
21	are excited by the opportunities that this transaction	13 : 26 : 57	21	proposed indirect change of control of its health care	13 : 29 : 14
22	prevents -- presents for the combined company and	13 : 26 : 59	22	service plans. The proposed transaction will not result	13 : 29 : 17
23	consumers.	13 : 27 : 02	23	in a change of control over the California domestic	13 : 29 : 20
24	First of all, the overview of Cigna in our	13 : 27 : 04	24	insurance company.	13 : 29 : 20
25	California's operations. Cigna is a holding company	13 : 27 : 06	25	As I mentioned earlier, Cigna does not have	13 : 29 : 26
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1	that through its subsidiaries and affiliates provides	13 : 27 : 11	1	any domestic insurance companies in California. The	13 : 29 : 26
2	health services to individuals and groups around the	13 : 27 : 12	2	separate corporate existence and status of Cigna's	13 : 29 : 29
3	globe.	13 : 27 : 15	3	insurance companies operating as foreign insurers in	13 : 29 : 32
4	Cigna seeks to deliver affordable and	13 : 27 : 15	4	California and its licensed health care service plan	13 : 29 : 35
5	personalized products and services to customers through	13 : 27 : 18	5	subsidiaries will remain unchanged.	13 : 29 : 37
6	employer-based, government sponsored and individual	13 : 27 : 20	6	As described by Jay Wagner, Anthem has no	13 : 29 : 40
7	coverage arrangements. Increasingly, Cigna collaborates	13 : 27 : 23	7	plans to make material changes in the operations of any	13 : 29 : 44
8	with health care providers to transition from	13 : 27 : 27	8	of Cigna's California licensees at closing.	13 : 29 : 45
9	volume-based fee for service arrangements towards a more	13 : 27 : 30	9	Finally, on to the value of the Anthem-Cigna	13 : 29 : 50
10	value-based system designed to increase quality of care,	13 : 27 : 33	10	combination to consumers. As I mentioned at the onset,	13 : 29 : 52
11	lower costs and improve health outcomes.	13 : 27 : 37	11	Cigna is excited about the opportunities that this	13 : 29 : 56
12	As to California, Cigna's operations include	13 : 27 : 40	12	transaction presents for the combined company and for	13 : 29 : 59
13	four health care service plans licensed by the	13 : 27 : 43	13	our consumers.	13 : 30 : 02
14	Department of Managed Healthcare, and Cigna has filed a	13 : 27 : 46	14	Both companies' commitments to ensure	13 : 30 : 04
15	notice of material modification filing with the DMHC in	13 : 27 : 49	15	consumers have expanded access to high quality,	13 : 30 : 07
16	connection with the proposed indirect change of control	13 : 27 : 56	16	affordable health coverage is the foundation of the	13 : 30 : 09
17	of these health care service plans.	13 : 27 : 57	17	proposed transaction and will remain the top priority of	13 : 30 : 11
18	Cigna does not have any domestic insurance	13 : 27 : 58	18	the combined company.	13 : 30 : 15
19	companies here in California; however, several of	13 : 28 : 01	19	The primary benefits of this transaction are	13 : 30 : 16
20	Cigna's insurance companies that are domiciled in other	13 : 28 : 04	20	that it will ensure consumers have access to the highest	13 : 30 : 19
21	states are licensed as foreign insurers in California.	13 : 28 : 07	21	quality, most effective care available, help keep	13 : 30 : 23
22	As explained by Jay Wagner, Cigna does not	13 : 28 : 10	22	quality health coverage as affordable as possible,	13 : 30 : 27
23	have a meaningful share of the total membership in	13 : 28 : 15	23	improve consumer choice with respect to products and	13 : 30 : 29
24	California and any of the fully insured small or large	13 : 28 : 17	24	services and increase consumer access to an enhanced	13 : 30 : 33
25	group lines of insurance, nor do we operate Medicare	13 : 28 : 21	25	network of hospitals, physicians and other health care	13 : 30 : 37
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1 professionals.	13:30:41	1 a positive impact on the health care industry generally	13:33:06
2 With respect to health care quality, consumers	13:30:42	2 and will result in cost savings and increased overall	13:33:09
3 will benefit from higher quality care as a result of the	13:30:44	3 options in efficiencies for its policyholders	13:33:13
4 combined company's ability to utilize complementary	13:30:47	4 specifically.	13:33:15
5 capabilities of Anthem and Cigna, such as, value-based	13:30:52	5 Thank you.	13:33:16
6 care, care coordination, management programs and	13:30:55	6 COMMISSIONER JONES: Thank you very much.	13:33:18
7 investments in customer service infrastructure,	13:30:58	7 Thank you, both.	13:33:19
8 technology and customer-centered tools, such as, mobile	13:31:02	8 I have a few questions before we turn to the	13:33:19
9 aps, cost and quality transparency tools. These	13:31:05	9 next panel.	13:33:22
10 innovative technologies improve data capabilities and	13:31:10	10 First, the business plan of the merged	13:33:25
11 programs promote high-quality care and better customer	13:31:13	11 companies. Both of you either today or in prior	13:33:29
12 outcomes.	13:31:15	12 testimony by Mr. Wagner to the Department of Managed	13:33:34
13 With respect to affordability, consumers will	13:31:17	13 Healthcare indicated that Anthem anticipates no material	13:33:38
14 benefit from lower costs through the combined companies'	13:31:21	14 changes in its plans, respective services provider,	13:33:44
15 greater act to address costs through efficiency means	13:31:23	15 networks and reimbursement rates.	13:33:47
16 and common administrative, IT and business functions, as	13:31:27	16 Let me amend that. Cigna has said that.	13:33:54
17 well as addressing rising medical costs and drug costs.	13:31:31	17 Anthem has said and Cigna has said that Cigna will not	13:33:56
18 The health care marketplace has for sometime	13:31:35	18 have any change after closing in their plans respective	13:33:59
19 been slowly moving to value-based care with its focus on	13:31:38	19 services and reimbursement rates.	13:34:04
20 patient outcomes.	13:31:41	20 Do I have that correct?	13:34:07
21 By combining the capabilities of Anthem and	13:31:43	21 MR. WAGNER: That's correct.	13:34:10
22 Cigna, the combined company will be able to speed along	13:31:46	22 MR. RICHARDS: Yes.	13:34:12
23 the adoption of the changes necessary to partner with	13:31:49	23 COMMISSIONER JONES: So that statement was	13:34:13
24 providers and help them to transition to a value-based	13:31:51	24 made with regard to the DMHC-regulated entities. What	13:34:14
25 system.	13:31:55	25 about with regard to the non-domiciles insurance	13:34:17
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1 Value-based care is a critical element in a	13:31:55	1 entities that are transacting insurance under Cigna's	13:34:22
2 long-term sustainability of health care affordability	13:31:58	2 corporate parent currently in California, same apply in	13:34:25
3 for consumers.	13:32:02	3 terms of not changing provider networks, respective	13:34:31
4 With respect to choice, consumers will benefit	13:32:04	4 services and reimbursement rates?	13:34:36
5 from having a broader portfolio of products and	13:32:09	5 MR. WAGNER: That's correct.	13:34:38
6 services, including more value-based products and	13:32:09	6 MR. RICHARDS: Yeah, absolutely. Those things	13:34:40
7 services to choose from.	13:32:12	7 tend to change over time, but we do not expect any	13:34:42
8 The proposed merger will accelerate the	13:32:13	8 changes at closing.	13:34:45
9 combined companies' ability to better compete and	13:32:18	9 COMMISSIONER JONES: So after closing, what	13:34:45
10 increase its capacity to test innovative programs with	13:32:19	10 happens? How long will the Cigna-DMHC-regulated	13:34:48
11 providers driving more value and quality to the system.	13:32:22	11 entities and the insurance entities that are foreign	13:34:53
12 And, finally, with respect to access,	13:32:27	12 insurance entities not domiciled, but transacting	13:34:57
13 consumers will benefit from greater access through the	13:32:29	13 business in California, how long will they continue to	13:35:01
14 combined capabilities that will create a premier network	13:32:32	14 operate as separate, corporate entities?	13:35:04
15 of hospitals, physicians and health care professionals	13:32:35	15 MR. WAGNER: They will continue to operate as	13:35:09
16 that will also include virtual nurse and physician	13:32:38	16 separate, corporate entities. So Cigna will continue to	13:35:11
17 interaction and on site wellness clinics.	13:32:42	17 operate and exist with their products in the State of	13:35:13
18 Together, Anthem and Cigna will have the	13:32:44	18 California. We hope, as I mentioned during my	13:35:17
19 resources and capabilities necessary to exceed consumer	13:32:47	19 testimony, in the move from volume to value-based	13:35:20
20 expectations and accelerate transformation of the	13:32:51	20 contracting, we hope to improve, both, the Cigna	13:35:24
21 broader health care system.	13:32:55	21 products and the Anthem products by, you know, building	13:35:27
22 In closing, I would like to thank Commissioner	13:32:56	22 on the best of our provider relationships that each	13:35:32
23 Jones and the Department of Insurance for providing us	13:32:59	23 respective company has.	13:35:35
24 the opportunity to speak in support of the merger.	13:33:01	24 COMMISSIONER JONES: So let's talk about that	13:35:37
25 Cigna believes that the combination will have	13:33:04	25 specifically then since you mentioned the provider	13:35:39
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1	networks. So will Cigna -- the Cigna entities continue	13:35:42	1	COMMISSIONER JONES: But no plans have been	13:37:51
2	to develop provider networks separate from network	13:35:45	2	developed to change product offerings of any of the	13:37:54
3	development efforts of the Anthem entities?	13:35:49	3	Cigna entities?	13:37:57
4	MR. WAGNER: That's correct.	13:35:51	4	MR. RICHARDS: That's correct.	13:37:58
5	COMMISSIONER JONES: And how long will that	13:35:52	5	COMMISSIONER JONES: So Cigna currently, I	13:37:58
6	continue?	13:35:53	6	believe, leases some of its medical provider networks to	13:38:01
7	MR. WAGNER: For the foreseeable future as	13:35:55	7	other insurers, and in so doing provides a means for new	13:38:04
8	long as they continue to offer their products, which	13:35:57	8	market entrance or smaller health insurers in California	13:38:08
9	there are no plans to stop offering any such products.	13:36:01	9	to compete in the market.	13:38:12
10	COMMISSIONER JONES: So that was my next	13:36:04	10	Is that correct?	13:38:13
11	question was whether the Cigna entities would continue	13:36:05	11	MR. RICHARDS: That's correct.	13:38:14
12	to offer the same products that each of them is	13:36:07	12	COMMISSIONER JONES: And after the merger will	13:38:15
13	currently offering?	13:36:11	13	Cigna continue to lease its networks to these other	13:38:17
14	MR. WAGNER: That's correct.	13:36:13	14	insurers?	13:38:20
15	COMMISSIONER JONES: And will the Anthem	13:36:14	15	MR. RICHARDS: Yes, our plans will be to	13:38:21
16	entities continue to offer the same products that	13:36:15	16	continue to do that.	13:38:22
17	they're currently offering?	13:36:17	17	COMMISSIONER JONES: How long?	13:38:23
18	MR. WAGNER: That is correct.	13:36:18	18	MR. RICHARDS: We don't have any plans to stop	13:38:25
19	COMMISSIONER JONES: And is it anticipated at	13:36:19	19	doing that. So.	13:38:27
20	some point that might change?	13:36:22	20	COMMISSIONER JONES: What's the duration of	13:38:27
21	MR. WAGNER: It is not anticipated at this	13:36:24	21	those contracts currently?	13:38:28
22	point. I think I can say that to the extent that we	13:36:27	22	MR. RICHARDS: To be honest, the duration of	13:38:30
23	identify in the future certain products that are better	13:36:32	23	the contracts with the provider networks or with --	13:38:33
24	suited to the marketplace, you know, perhaps those --	13:36:37	24	COMMISSIONER JONES: With regard to the	13:38:37
25	those particular products in the specialty area,	13:36:41	25	leasing of Cigna networks to other health insurers or	13:38:38
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1	perhaps, are used more often than not.	13:36:44	1	HMOs, what's the duration of the contracts between Cigna	13:38:42
2	So in adding vision currently Cigna doesn't	13:36:49	2	and the other health insurers and the HMOs?	13:38:44
3	have, you know, vision coverage in addition to their	13:36:53	3	MR. RICHARDS: Off the top of my head, I don't	13:38:46
4	medical products, so -- but perhaps in the future, you	13:36:56	4	know the length of the contracts. I would presume they	13:38:48
5	know, Cigna may develop their own vision products, which	13:37:01	5	vary much by duration. They tend to be a lot of	13:38:50
6	will be an additional tagalong to their major medical	13:37:05	6	third-party administrators, although there are some	13:38:54
7	products. I mean, that's one of those.	13:37:11	7	insurers and HMOs, as you mentioned, but there tend to	13:38:56
8	COMMISSIONER JONES: Other than the specialty	13:37:13	8	be third-party administrators, and again, there would be	13:38:59
9	products, though, is there any planning underway at,	13:37:16	9	a variety of lengths of contracts, and they typically	13:39:02
10	either, Anthem or Cigna to change the products currently	13:37:18	10	renew.	13:39:04
11	offered by the entities under either of the two parent	13:37:21	11	COMMISSIONER JONES: I don't want to force you	13:39:04
12	companies?	13:37:28	12	to weigh in. Could you provide me separately with a	13:39:05
13	MR. WAGNER: There is not.	13:37:28	13	written answer that tells me what the duration is, the	13:39:07
14	COMMISSIONER JONES: Okay. And is there any	13:37:29	14	minimum acts, the average duration of these contracts?	13:39:10
15	planning to indicate that when in the future there might	13:37:30	15	MR. RICHARDS: We can certainly provide some	13:39:13
16	be some sort of change in the products offered other	13:37:33	16	guidance around that.	13:39:17
17	than the specialty products?	13:37:36	17	COMMISSIONER JONES: I appreciate that.	13:39:18
18	MR. WAGNER: No, I don't believe so.	13:37:38	18	Now, in both your testimonies and in prior	13:39:19
19	COMMISSIONER JONES: And the same answer with	13:37:39	19	testimony, and also, in an Anthem presentation titled	13:39:22
20	regard to Cigna?	13:37:41	20	"the compelling combination," which is I believe at	13:39:24
21	MR. RICHARDS: Yeah, absolutely. We're still	13:37:43	21	Exhibit 10 of the binders that have been provided to	13:39:30
22	in very early stages of planning for the integration.	13:37:44	22	you, there is a slide 14, which has title "Identifiable	13:39:32
23	Obviously, we're still operating very much as	13:37:46	23	and achievable synergies." This references the \$2	13:39:38
24	independent companies and very much starting the	13:37:48	24	billion in synergies that Mr. Swedish, the CEO of the	13:39:43
25	planning of the integration.	13:37:50	25	Anthem holding company, has alluded to and you,	13:39:48
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1 gentlemen, have alluded to in prior testimony or in this	13:39:51	1 COMMISSIONER JONES: But, the suggestion is	13:43:11
2 testimony. I'm wondering if you can turn to that now.	13:39:52	2 that taken together, the synergies will result in \$2	13:43:12
3 What I'm interested in is whether this is an	13:39:56	3 billion in annual cost savings to the combined	13:43:18
4 exhaustive list of the "synergies," that the company --	13:40:00	4 companies?	13:43:21
5 two companies anticipate.	13:40:04	5 MR. WAGNER: That's correct.	13:43:23
6 Let me make sure you have the page. So it's	13:40:22	6 MR. RICHARDS: Yes.	13:43:23
7 titled "Identifiable and achievable synergies." And	13:40:24	7 COMMISSIONER JONES: Can you provide me -- and	13:43:24
8 it's page 14 of the Anthem slide deck.	13:40:27	8 if you are not able to do it right now, I understand,	13:43:30
9 I've * advised it's page 88 in the binder,	13:40:34	9 but can you provide me separately with an allocation of	13:43:33
10 which is there is a pagination in the upper left-hand	13:40:38	10 the \$2 billion across this list of synergies?	13:43:36
11 corner. Do you have that slide?	13:40:43	11 MR. WAGNER: I think we can provide some	13:43:43
12 MR. WAGNER: Yes, we do.	13:40:48	12 guidelines on where we think some of these break down.	13:43:47
13 COMMISSIONER JONES: So, is this an exhaustive	13:40:49	13 The 2 billion initially was developed as comparable to	13:43:52
14 list of the synergies that will make up the \$2 billion	13:40:50	14 other transactions in the past. Since then there's	13:43:59
15 in aggregate synergies?	13:40:56	15 been, you know, more thought about some of these	13:44:04
16 MR. WAGNER: It -- it represents from -- at	13:41:02	16 potential synergies, so we can certainly provide perhaps	13:44:07
17 that time the sort of the broad categories of synergies	13:41:06	17 some orders of magnitude in the separate categories.	13:44:10
18 that we thought might be able to develop as a result of	13:41:12	18 COMMISSIONER JONES: You're not backing away	13:44:19
19 the transaction. Each of those has certain elements to	13:41:14	19 from the assertion that it's \$2 billion in savings	13:44:20
20 it. Leveraging Cigna specialty capabilities across	13:41:20	20 annually, though?	13:44:24
21 Anthem could include, you know, perhaps the increase	13:41:24	21 MR. WAGNER: No.	13:44:25
22 ability to use stop loss in different areas, which would	13:41:29	22 MR. RICHARDS: No. In fact, Mr. Wagner said	13:44:26
23 expand product offerings for -- for current Anthem	13:41:33	23 it was conservative.	13:44:28
24 products, for instance. Network efficiencies and	13:41:38	24 COMMISSIONER JONES: So, I would like if you	13:44:30
25 medical management within that we believe that there is	13:41:45	25 can provide it to me separately in writing the	13:44:31
Page 38		Page 40	
1 certain -- one of our main goals is to drive from volume	13:41:48	1 allocation of that \$2 billion across these or any other	13:44:33
2 to value, value-based contracting and that crossed both	13:41:53	2 synergies that the company believes will accrue from the	13:44:38
3 platforms. We intend to develop the efficiencies from	13:42:00	3 merger.	13:44:41
4 that as well.	13:42:06	4 Is that acceptable, Mr. Wagner, can you	13:44:44
5 COMMISSIONER JONES: Any others not listed	13:42:08	5 provide that?	13:44:47
6 here?	13:42:10	6 MR. WAGNER: Yes, as I described earlier.	13:44:48
7 MR. RICHARDS: I think those are the major	13:42:11	7 COMMISSIONER JONES: Okay. I would imagine	13:44:50
8 categories. Again, as we continue to plan for the	13:42:16	8 that since you provided this number to investors,	13:44:53
9 integration, we'll continue to look for areas where we	13:42:18	9 it's -- it's more than just a guideline or a range.	13:44:56
10 can provide synergies, and again, enhancements to our	13:42:22	10 You've got some definitive assessment of what each of	13:45:00
11 customers and clients.	13:42:26	11 these synergies will provide.	13:45:03
12 COMMISSIONER JONES: Maybe just by way of	13:42:27	12 I hear an iPhone. My own iPhone. I'm so	13:45:07
13 definition, am I to understand that a synergy means cost	13:42:29	13 embarrassed.	13:45:11
14 savings?	13:42:37	14 But, as I was saying, this was shared with the	13:45:14
15 MR. RICHARDS: Not necessarily. For instance,	13:42:37	15 companies' investors, correct?	13:45:17
16 growing through all the population, it's not about cost	13:42:39	16 MR. WAGNER: That's correct.	13:45:20
17 savings at all. It's about taking Medicaid capabilities	13:42:41	17 COMMISSIONER JONES: And you're not backing	13:45:20
18 that are inherent in Anthem's best and class Medicaid	13:42:48	18 away from the assertion that there are \$2 billion in	13:45:22
19 capabilities and Medicare advantage capabilities that	13:42:50	19 synergies, correct?	13:45:24
20 Cigna is particularly strong and using capabilities from	13:42:53	20 MR. WAGNER: No, we are not.	13:45:25
21 both companies to develop new programs that would	13:42:57	21 COMMISSIONER JONES: And there must be some	13:45:27
22 address the most vulnerable population, people who are	13:43:00	22 attribution across these synergies to roll up to the	13:45:28
23 duly eligible for both Medicaid and Medicare. So, it's	13:43:03	23 \$2 billion figure, correct?	13:45:30
24 an example of really again providing new capabilities to	13:43:08	24 MR. WAGNER: In -- yes, in some respects. I	13:45:32
25 the marketplace.	13:43:10	25 mean, I will tell you that we're not backing away from	13:45:36
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1	the 2 billion, and we have some sense of where we might	13 : 45 : 38	1	presumably it's \$3.	13 : 48 : 44
2	be able to obtain the synergies from within those	13 : 45 : 43	2	COMMISSIONER JONES: And is it your	13 : 48 : 48
3	categories, but to the extent that certain information	13 : 45 : 46	3	understanding that the additional \$3 in earnings per	13 : 48 : 49
4	is not exchangeable between the companies, there are a	13 : 45 : 52	4	share will come from the \$2 billion in cost savings	13 : 48 : 54
5	lot of assumptions stacked behind those. So.	13 : 45 : 57	5	annually by year two of the merger?	13 : 48 : 58
6	COMMISSIONER JONES: I would appreciate	13 : 46 : 01	6	MR. WAGNER: That would be one component of	13 : 49 : 01
7	whatever level of specificity you give me. I have to	13 : 46 : 02	7	it. It would be expanded business growth in the	13 : 49 : 04
8	say I'm a little concerned when you say that it's best	13 : 46 : 05	8	business and relative earnings associated with the	13 : 49 : 06
9	estimate assumptions, guidance because you were very	13 : 46 : 11	9	growth.	13 : 49 : 10
10	clear in your testimony, both of you, and Mr. Swedish	13 : 46 : 17	10	COMMISSIONER JONES: You don't happen to have	13 : 49 : 15
11	has been that there is going to be \$2 billion in	13 : 46 : 20	11	a roll-up figure for that \$3 per share based on the	13 : 49 : 18
12	savings.	13 : 46 : 24	12	total number of shares that will exist after the merger,	13 : 49 : 22
13	MR. WAGNER: Right.	13 : 46 : 25	13	do you?	13 : 49 : 25
14	MR. RICHARDS: We do have confidence there,	13 : 46 : 26	14	MR. WAGNER: No, I do not.	13 : 49 : 27
15	again, it shows the early nature of planning. Some of	13 : 46 : 28	15	COMMISSIONER JONES: Can you provide me with	13 : 49 : 29
16	them may turn out to be more efficiencies than we expect	13 : 46 : 29	16	that?	13 : 49 : 30
17	and others may turn out to be less.	13 : 46 : 35	17	MR. WAGNER: I'm not sure I understand the	13 : 49 : 31
18	On an overall basis we have a high degree of	13 : 46 : 37	18	question.	13 : 49 : 32
19	confidence. Obviously, it's within each category there	13 : 46 : 39	19	COMMISSIONER JONES: Well, you are saying that	13 : 49 : 33
20	is more planning that needs to be done to drive a	13 : 46 : 42	20	there will be an additional \$3 per share available to	13 : 49 : 35
21	creditors within a category.	13 : 46 : 45	21	shareholders, and I'm curious what that represents in	13 : 49 : 38
22	COMMISSIONER JONES: I would like to see that	13 : 46 : 48	22	aggregate value. So, I'm assuming there is some finite	13 : 49 : 43
23	allocation. Then on the next page of that slide deck,	13 : 46 : 49	23	number of shares that will be extant after the merger,	13 : 49 : 49
24	there's a slide titled "Value creation for both sets of	13 : 46 : 53	24	assuming you don't issue additional shares right away,	13 : 49 : 53
25	shareholders," which has a graphic demonstration of	13 : 46 : 57	25	and so I'm -- I guess the question is: What's the --	13 : 49 : 56
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1	the -- if I'm reading this correctly, increase in	13 : 47 : 06	1	what's the total, if you will, aggregate value of that	13 : 50 : 00
2	adjusted earnings per share, or rather, the adjustment	13 : 47 : 12	2	\$3 additional earnings per share?	13 : 50 : 03
3	of earnings per share that is anticipated to occur	13 : 47 : 16	3	MR. WAGNER: Okay. We can make that	13 : 50 : 10
4	between 2015 and 2018 as a result of the merger. Is	13 : 47 : 19	4	calculation.	13 : 50 : 12
5	that what this deck slide is supposed to be telling us?	13 : 47 : 23	5	COMMISSIONER JONES: I appreciate it very	13 : 50 : 13
6	I'll ask it a different way, because there is	13 : 47 : 29	6	much. Getting back to one of the synergies that you	13 : 50 : 15
7	a pause. What is this supposed to tell us?	13 : 47 : 44	7	identified in the prior slide, one of those is network	13 : 50 : 20
8	MR. WAGNER: What it's supposed to tell us is	13 : 47 : 47	8	efficiencies in medical management.	13 : 50 : 26
9	in 2018 what we're telling shareholders is that we will	13 : 47 : 47	9	Can you share with us what is intended by	13 : 50 : 29
10	reach \$17 in EPS within the combined companies.	13 : 47 : 50	10	network efficiencies in medical management specifically?	13 : 50 : 33
11	COMMISSIONER JONES: EPS stands for?	13 : 47 : 57	11	MR. WAGNER: There are few different elements	13 : 50 : 37
12	MR. WAGNER: Earnings per share.	13 : 47 : 59	12	of that, and I'll let -- I'll let Tom speak to that as	13 : 50 : 41
13	COMMISSIONER JONES: So it will be an	13 : 48 : 00	13	well. It encompasses, you know, both the combining the	13 : 50 : 44
14	additional \$17.	13 : 48 : 00	14	efforts both Anthem and Cigna have been out there in the	13 : 50 : 49
15	MR. WAGNER: So, given the projections of	13 : 48 : 03	15	marketplace primarily in the form of volume-to-value	13 : 50 : 53
16	Anthem and Cigna independently, we believe that there	13 : 48 : 06	16	arrangements. In the case of Anthem approximately over	13 : 50 : 58
17	will be incremental value generating \$17 of EPS in 2018.	13 : 48 : 12	17	\$50 billion of our reimbursements is now tied to the	13 : 51 : 05
18	MR. RICHARDS: A total... (Inaudible.)	13 : 48 : 23	18	value of quality. Cigna has experienced an uptake in	13 : 51 : 09
19	COURT REPORTER: I'm sorry. I can't hear you.	13 : 48 : 23	19	their quality based payments, but also in the our direct	13 : 51 : 16
20	MR. RICHARDS: The estimate is the \$17 and	13 : 48 : 27	20	programs and whether that's disease management programs,	13 : 51 : 20
21	total earnings per share, not in incremental.	13 : 48 : 29	21	chronic condition programs, including new initiatives	13 : 51 : 25
22	COMMISSIONER JONES: So, what's the	13 : 48 : 31	22	that we've undertaken that show specific value returns.	13 : 51 : 34
23	incremental increase that the slide is asserting will	13 : 48 : 33	23	In the instance of Anthem, enhanced personal	13 : 51 : 38
24	accrue as a result of the merger?	13 : 48 : 37	24	health care is a program that we ruled out with primary	13 : 51 : 41
25	MR. WAGNER: I did not create the slide, but	13 : 48 : 43	25	health care physicians, which allows primary care	13 : 51 : 44
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12 (Pages 42 to 45)

1	physicians to share in the upside of a more holistic	13 : 51 : 47	1	anticipated. I understand you can't totally see the	13 : 54 : 42
2	approach to patient care.	13 : 51 : 51	2	future, but the ones you currently are anticipating, can	13 : 54 : 45
3	In the instance of Cigna you have	13 : 51 : 56	3	you get me a list of those? Because it's a term that's	13 : 54 : 48
4	collaborative accountability care programs, they ruled	13 : 51 : 59	4	used quite a bit in the testimony of officials from both	13 : 54 : 52
5	out, which has more to do with continuity of care. In	13 : 52 : 03	5	companies. There is some variability in how each	13 : 54 : 57
6	both cases there is outcome consumer centric, technology	13 : 52 : 07	6	company is currently engaged in these approaches, and I	13 : 55 : 02
7	solutions that each company is using that we think we	13 : 52 : 11	7	would be interested in a list of what these value-based	13 : 55 : 04
8	can improve upon and engage consumers as well data	13 : 52 : 15	8	approaches are from each company currently, and then	13 : 55 : 08
9	analytic providers that will bring down the cost of	13 : 52 : 20	9	what they anticipated the merged company will be	13 : 55 : 11
10	care. There is a lot of that.	13 : 52 : 21	10	pursuing in terms of these approaches.	13 : 55 : 14
11	MR. RICHARDS: Let me just add.	13 : 52 : 25	11	MR. WAGNER: Yeah, I think we can put that	13 : 55 : 17
12	COMMISSIONER JONES: Please.	13 : 52 : 26	12	together. The way to think of this is many respects is	13 : 55 : 19
13	MR. RICHARDS: To Mr. Wagner's comments.	13 : 52 : 27	13	you had asked about sort of is than an exhaustive list	13 : 55 : 23
14	Cigna is very committed to 5098, which is a	13 : 52 : 30	14	or what does this represent? And I think there is a	13 : 55 : 27
15	goal HSS sent out early last year, and --	13 : 52 : 35	15	spectrum of shared risks that providers are willing to	13 : 55 : 29
16	COMMISSIONER JONES: For Medicare advantage.	13 : 52 : 39	16	engage in. I talked about the Vivity example where we	13 : 55 : 36
17	Pardon me. Right.	13 : 52 : 41	17	have joined with seven health systems to provide	13 : 55 : 41
18	MR. RICHARDS: Well the HHS goal was actually	13 : 52 : 42	18	products in the L.A. area. So that's, you know, that's	13 : 55 : 47
19	for all of Medicare. Our goal is for all of -- all of	13 : 52 : 47	19	sort of the, you know, all the way through to an equity	13 : 55 : 49
20	Cigna's population. So certainly including Medicare	13 : 52 : 51	20	arrangement with provider sharing both upside and	13 : 55 : 54
21	Advantage across our population to have at least	13 : 52 : 55	21	downside risk to arrangements with some amount of upside	13 : 55 : 57
22	90 percent of our -- of our arrangements in some sort of	13 : 52 : 57	22	risk where the providers can see the benefit of	13 : 56 : 04
23	value payment to -- to the delivery system and	13 : 53 : 02	23	delivering high quality health care to patients and	13 : 56 : 09
24	50 percent -- at least 50 percent to be alternative	13 : 53 : 07	24	reducing the overall cost of health care to the system,	13 : 56 : 13
25	payment mechanisms, and again, we truly believe in the	13 : 53 : 12	25	as well as improvement quality as well as the consumer	13 : 56 : 17
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1	combined company will truly believe that moving the	13 : 53 : 15	1	satisfaction of those interactions.	13 : 56 : 21
2	delivery system to rewarding providers for doing the	13 : 53 : 20	2	COMMISSIONER JONES: Mr. Wagner, you said	13 : 56 : 24
3	right thing for improving health, for making sure the	13 : 53 : 23	3	current Anthem has \$50 billion in reimbursements tied to	13 : 56 : 25
4	care is provided at the right level, both enough, but	13 : 53 : 28	4	value-based contracts. What percentage of your overall	13 : 56 : 30
5	not over treatment, and at the right service is going to	13 : 53 : 33	5	annual reimbursements does that represent?	13 : 56 : 34
6	deliver both higher quality care and more efficient care	13 : 53 : 37	6	MR. WAGNER: 53 percent maybe.	13 : 56 : 37
7	and more importantly, or as importantly, better health	13 : 53 : 41	7	COMMISSIONER JONES: And that's nationwide.	13 : 56 : 44
8	to the population.	13 : 53 : 44	8	MR. WAGNER: Yes.	13 : 56 : 45
9	COMMISSIONER JONES: So, with regard to what	13 : 53 : 45	9	COMMISSIONER JONES: And with regard to Cigna,	13 : 56 : 46
10	you, both, have said regarding value-based approaches,	13 : 53 : 48	10	what percentage of your overall national medical	13 : 56 : 51
11	is that an exhaustive list of the value-based approaches	13 : 53 : 53	11	reimbursements do your current value-base approaches	13 : 56 : 55
12	that the companies are contemplating?	13 : 53 : 58	12	represent?	13 : 56 : 59
13	MR. RICHARDS: No. It's a space that's, you	13 : 54 : 01	13	MR. RICHARDS: I don't know the number off the	13 : 57 : 00
14	know, rapidly evolving. I don't know that anyone has	13 : 54 : 03	14	top of my head, but we can get that number to you.	13 : 57 : 03
15	unlocked the exact secret codes. There is a lot of	13 : 54 : 07	15	COMMISSIONER JONES: I'm interested in the	13 : 57 : 06
16	experimentation going on. The experimentation in the	13 : 54 : 11	16	dollar figure, the percentage and then the total annual	13 : 57 : 08
17	ability to partner varies very much by geography and by	13 : 54 : 14	17	medical reimbursement figure for each company. If I	13 : 57 : 10
18	provider group. For instance, there is a lot of	13 : 54 : 19	18	could have those three figures for each company, that	13 : 57 : 13
19	experimentation going on in California, and one of the	13 : 54 : 22	19	would be greatly appreciated.	13 : 57 : 15
20	advantages for having the companies combined is we truly	13 : 54 : 24	20	MR. RICHARDS: Sure.	13 : 57 : 17
21	believe we'll be able to take the best capabilities from	13 : 54 : 27	21	COMMISSIONER JONES: Thank you.	13 : 57 : 18
22	both organizations and to deliver those to our provider	13 : 54 : 29	22	Specifically, in the Cigna health care filing	13 : 57 : 19
23	partners.	13 : 54 : 34	23	with DMHC, there is a reference to an indemnity managed	13 : 57 : 26
24	COMMISSIONER JONES: So, with regard to the	13 : 54 : 35	24	care product, and I'm curious about that, and I'm	13 : 57 : 31
25	current value-based approaches and the ones that are	13 : 54 : 37	25	wondering if Mr. Richards can shed any light on what an	13 : 57 : 34
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1	indemnity managed care product is. It's included in	13:57:40	1	actually complementary in California and really around	14:00:38
2	Exhibit 11 in the binder in front of you. It's a part	13:57:46	2	the country. Cigna has a very small percentage of	14:00:43
3	of the Cigna health care notice of modification filing.	13:57:48	3	individual based.	14:00:47
4	It says that CHCC also subcontracts with affiliates	13:57:54	4	We're not, for instance, in covered California	14:00:49
5	Connecticut General Life Insurance Company and Cigna	13:57:58	5	and, obviously, Anthem has a very strong individual	14:00:52
6	Health and Life Insurance Company in connection with its	13:58:01	6	footprint in the 14 states in which they have a blue	14:00:55
7	indemnity based manage care product called Flex Care.	13:58:05	7	license. Cigna doesn't really market small group	14:01:00
8	MR. RICHARDS: That refers to our point of	13:58:13	8	insurance. We tend to have more larger employers, self	14:01:03
9	service plan which, as you mentioned, is often branded	13:58:15	9	funded and a lot of specialty programs. So behavior	14:01:07
10	Flex Care.	13:58:22	10	programs. And so as we're successful in partnering with	14:01:10
11	COMMISSIONER JONES: So can you elaborate a	13:58:22	11	on the delivery system with physicians and hospitals and	14:01:13
12	little more on how that plan actually works, functions?	13:58:24	12	are able to work with them and experiment with them to	14:01:17
13	MR. RICHARDS: From a provider standpoint we	13:58:31	13	provide value-based programs that truly work that do	14:01:21
14	have a network in California, and actually, a national	13:58:33	14	improve the population, our hypothesis is among others,	14:01:24
15	network. Customers can choose at the point of care	13:58:38	15	they are going to do want to do that with not only	14:01:29
16	whether they want to stay in network and provide -- and	13:58:42	16	segments of the patient population, but they want to do	14:01:31
17	receive both the network discounts and the higher	13:58:46	17	that across, again, their entire patient population. So	14:01:34
18	reimbursement rate or if they want to go outside. So,	13:58:51	18	that's one reason why it's helpful.	14:01:38
19	it's somewhat similar to a PPO, which you would be maybe	13:58:53	19	Again, the other is I would say the companies	14:01:41
20	a little more familiar to Californians or to others	13:58:56	20	have very different just capabilities, not just	14:01:44
21	around the U.S., but it provides a little bit more of a	13:59:00	21	geographic and product differences, but capabilities and	14:01:48
22	managed care structure to a then PPO. So, for instance,	13:59:04	22	combining those capabilities. We think we are really	14:01:51
23	it would typically have a primary care physician plan,	13:59:07	23	going to be a better partner and much more adaptive at	14:01:55
24	which PPOs do not necessarily have, and the reason we	13:59:10	24	accelerating this transition.	14:01:57
25	did that was because we believe that a primary care	13:59:14	25	COMMISSIONER JONES: So let's go back to	14:01:57
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1	physician or having a primary care physician helps to	13:59:17	1	network efficiencies for a moment. So with regard to	14:01:58
2	guide the patient to get the right care from the right	13:59:20	2	that particular synergies you have described the	14:02:02
3	specialists.	13:59:24	3	component of that that's related to value-based care,	14:02:06
4	COMMISSIONER JONES: Question, Mr. Wagner.	13:59:25	4	but, after the merger will the Cigna and Aetna entities	14:02:10
5	Both Anthem and Cigna have said that they are currently	13:59:26	5	continue to have separate and distinct provider	14:02:18
6	pursuing and have as a goal currently to pursue an	13:59:31	6	networks?	14:02:20
7	expansion in value based approaches. Why is a merger	13:59:34	7	MR. WAGNER: They will to the extent they're	14:02:24
8	necessary then to accomplish value-based approaches to	13:59:39	8	associated with the products. What we hope is that	14:02:26
9	health care?	13:59:46	9	providers will adopt the best practices and value-based	14:02:29
10	MR. WAGNER: Well, we see -- I mean, the	13:59:47	10	contracting that will benefit both Cigna and Anthem	14:02:37
11	transaction in many respects we believe is	13:59:49	11	products in the future.	14:02:41
12	transformative because of the complementary nature of	13:59:51	12	What we're really trying to accomplish is	14:02:44
13	the companies. Because we are approaching it in	13:59:56	13	accelerating the adoption of these value-based	14:02:49
14	different ways, we think that we can accelerate the	13:59:57	14	approaches to increase the quality, to increase the	14:02:52
15	approach to value-based care using best practices of	14:00:00	15	accessibility, and certainly the affordability of the	14:02:56
16	both companies in a way that we haven't been able to do,	14:00:06	16	products. So, the networks, themselves, are not	14:03:00
17	quite frankly, on our own.	14:00:10	17	definition of is it an Anthem network or a Cigna network	14:03:08
18	COMMISSIONER JONES: So you are doing it	14:00:13	18	not quite as important as the relationships with the	14:03:12
19	currently and you have told your investors and	14:00:14	19	providers we hope will move in the same direction to	14:03:15
20	shareholders you are committed to doing it, and that	14:00:17	20	value-based contracting.	14:03:18
21	it's been successful, but you still need to merge in	14:00:20	21	COMMISSIONER JONES: So if they do so move,	14:03:19
22	order to make it successful.	14:00:26	22	then the networks are no longer be distinct of each	14:03:21
23	MR. RICHARDS: To accelerate it and to provide	14:00:29	23	entity, they'll be merged in some way?	14:03:25
24	it over a wider sloth of our partner's patient panels.	14:00:31	24	MR. WAGNER: There certainly will be overlap	14:03:28
25	So if you look at the companies, we're	14:00:37	25	of the networks amongst the providers.	14:03:34
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1	COMMISSIONER JONES: But, if they embrace the	14:03:37	1	ensure that we get the highest quality providers that	14:06:31
2	value-based approach, which you are encouraging them or	14:03:39	2	each company is using.	14:06:34
3	maybe requiring them to embrace, will that then result	14:03:43	3	COMMISSIONER JONES: Is any change anticipated	14:06:37
4	in the sensation of separate and distinct networks for	14:03:48	4	in the number of providers that will be contracted with	14:06:40
5	the Cigna entities and for the Anthem entities?	14:03:54	5	the merged entity versus the number of providers that	14:06:42
6	MR. WAGNER: No, I don't think so.	14:03:58	6	currently contracted with each entity?	14:06:44
7	COMMISSIONER JONES: And then you mentioned	14:04:00	7	MR. WAGNER: We would anticipate that it will	14:06:47
8	that there might -- that there would continue to be	14:04:03	8	expand.	14:06:50
9	overlap in the medical provider networks of the entities	14:04:07	9	COMMISSIONER JONES: So you will be adding	14:06:51
10	then?	14:04:10	10	providers?	14:06:51
11	MR. WAGNER: Well, just as there are today,	14:04:11	11	MR. WAGNER: Correct.	14:06:53
12	there are many providers that both companies contract	14:04:13	12	COMMISSIONER JONES: Any particular providers?	14:06:53
13	with. So that's why common and overlap.	14:04:16	13	MR. RICHARDS: Particularly to Cigna. Anthem	14:06:55
14	COMMISSIONER JONES: What I'm struggling with	14:04:21	14	tends to have more providers in the rural areas, so this	14:06:57
15	is I understand the point about value based, but it's	14:04:24	15	potentially would allow us to expand some of the	14:07:01
16	hard to imagine that ultimately the networks for each	14:04:29	16	customers that we are able to service more completely.	14:07:03
17	entity won't be combined in some way, or reduced in	14:04:34	17	COMMISSIONER JONES: So will the merged entity	14:07:06
18	size.	14:04:39	18	be adding additional hospitals to networks that are	14:07:08
19	Am I mistaken?	14:04:41	19	serving the existing Cigna or Anthem entities that are	14:07:14
20	MR. WAGNER: I think so to the extent that --	14:04:42	20	selling health insurance in California?	14:07:18
21	I mean, we're talking about different products in large	14:04:46	21	MR. WAGNER: A little bit early in our	14:07:22
22	part. What happens in California as far as you know,	14:04:50	22	integration to get specific on that, but I think that	14:07:24
23	Anthem being involved in Medicare, Medicaid, small	14:04:53	23	would be the case, although, again, we tend to contract	14:07:28
24	group, individual, etcetera, all those are different	14:05:00	24	with a lot of hospitals already. I think it might be	14:07:29
25	network arrangements with providers whereas the Cigna	14:05:04	25	more relevant to the position than the other health care	14:07:32
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1	products in the State of California are associated with	14:05:09	1	providers, but generally speaking directionally I would	14:07:37
2	more the large groups.	14:05:12	2	agree with you.	14:07:39
3	COMMISSIONER JONES: But, didn't you just say	14:05:14	3	COMMISSIONER JONES: Will the merged entity	14:07:40
4	that you're trying to move all the entities under the	14:05:16	4	and the entities -- the Cigna and Anthem entities that	14:07:42
5	merger to a value-based approach that's uniform across	14:05:18	5	will continue after the merger add additional physician	14:07:46
6	the merged entity? You won't have these differences in	14:05:22	6	group contracts?	14:07:48
7	approach --	14:05:26	7	MR. WAGNER: I think so. As Tom has spoken, I	14:07:53
8	MR. WAGNER: Not necessarily uniform across	14:05:26	8	think from the Cigna perspective, that is certainly	14:07:57
9	the entities, but something to the value-based	14:05:28	9	anticipated.	14:08:00
10	approaches for the providers; that's correct.	14:05:30	10	COMMISSIONER JONES: What about specials, will	14:08:00
11	COMMISSIONER JONES: And so those approaches	14:05:34	11	you be adding those?	14:08:03
12	will still differ based on the nature of the product or	14:05:35	12	MR. RICHARDS: Yeah. Yes. Physician would	14:08:08
13	the market that that product is being sold into?	14:05:39	13	include primary and specialty care physicians.	14:08:10
14	MR. WAGNER: Yes. Yes.	14:05:42	14	COMMISSIONER JONES: So, none of the network	14:08:13
15	COMMISSIONER JONES: Now, you have also both	14:05:44	15	efficiencies and medical management savings will come	14:08:16
16	said as a result of the merger, that the combined	14:05:48	16	from a reduction in medical providers contracting with	14:08:18
17	entities will have a premier network of hospitals and	14:05:52	17	any of the Anthem or Cigna entities?	14:08:23
18	networks. Don't you already have that?	14:05:55	18	MR. WAGNER: That's correct.	14:08:28
19	MR. WAGNER: Speaking -- you know, we've have	14:06:01	19	COMMISSIONER JONES: Is that correct from	14:08:28
20	a great network obviously. Ours is very broad based	14:06:05	20	Cigna's prospective, too?	14:08:30
21	network in the State of California, as well as our other	14:06:08	21	MR. RICHARDS: That would be our expectations,	14:08:32
22	states where we have commercial products.	14:06:12	22	absolutely.	14:08:34
23	I think what we intended by the term of	14:06:17	23	COMMISSIONER JONES: There will be no	14:08:34
24	that -- the use of that term is that we anticipate that,	14:06:21	24	reduction in the number of providers that are	14:08:37
25	again, bringing the best of the companies to bear will	14:06:26	25	contracting with any of the Anthem or Cigna entities?	14:08:39
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1	MR. RICHARDS: From a network standpoint that	14:08:42	1	competitor would only have 13 percent of the market?	14:11:55
2	would be.	14:08:44	2	MR. RICHARDS: Commissioner, with all due	14:11:59
3	MR. WAGNER: Not as a result of the	14:08:46	3	respect, I can't respond to the numbers. They're a	14:12:02
4	transaction. The providers are in or out.	14:08:49	4	little bit inconsistent from what I would have expected,	14:12:04
5	COMMISSIONER JONES: Will be it resolved by	14:08:50	5	and beyond that, they are incomplete because of the fact	14:12:07
6	then, networks moving in an and out, themselves?	14:08:52	6	that you have TPAs and others that are not publicly	14:12:10
7	MR. RICHARDS: Correct.	14:08:55	7	reporting their memberships.	14:12:17
8	COMMISSIONER JONES: All right. Let me turn	14:08:56	8	COMMISSIONER JONES: So, you mentioned that in	14:12:19
9	now to a particular market segment, and that's the	14:08:57	9	your testimony the TPAs are not required to report.	14:12:21
10	administrative services organization or ASO segment. I	14:09:03	10	But, you have some of that information for areas where	14:12:25
11	want to draw your attention in particular to a pie chart	14:09:08	11	you subsidiaries of your respective companies serve as a	14:12:30
12	that is one which was constructed by the California	14:09:15	12	TPA, correct?	14:12:33
13	Health Care Foundation, and I believe it's at Exhibit 8	14:09:21	13	MR. RICHARDS: So where we serve as a TPA,	14:12:36
14	in the binder.	14:09:30	14	those would be in these numbers here. As you mentioned	14:12:38
15	MR. HINZE: 72.	14:09:39	15	earlier, in your questioning, we also do provide network	14:12:41
16	COMMISSIONER JONES: I'm told it's on page 72.	14:09:40	16	and health care services to competitors to other TPAs.	14:12:45
17	So if you look at the pie chart of the six	14:09:44	17	COMMISSIONER JONES: So, can each of you	14:12:50
18	pies that are on this slide, the one that is at the	14:09:50	18	provide me with what you believe to be are the most	14:12:52
19	lower right, which represents the ASO market, do you	14:09:53	19	accurate numbers with regard to the entirety of the ASO	14:12:56
20	have that? You may have something different than what I	14:09:59	20	market?	14:12:59
21	have. Oh, no. You've got it. Right there.	14:10:02	21	MR. WAGNER: So the ASO market is particularly	14:13:02
22	Okay. Do you see what I'm talking about?	14:10:05	22	problematic for just that reason that Tom stated to the	14:13:06
23	MR. RICHARDS: Yes.	14:10:07	23	extent that TPAs are involved in the western states of	14:13:08
24	COMMISSIONER JONES: It's a yes from both	14:10:08	24	over 800 TPAs operating. 19 or 20 of the leading TPAs	14:13:12
25	gentlemen?	14:10:09	25	are actually based here out of California. In addition,	14:13:17
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1	MR. WAGNER: Yes.	14:10:09	1	to those numbers not being represented yet, you have	14:13:20
2	COMMISSIONER JONES: That indicates that there	14:10:10	2	direct contract, and as much as ten percent of employers	14:13:23
3	are roughly 6.4 million lives in California covered in	14:10:11	3	are directly contracting with providers, and those would	14:13:28
4	the ASO market. That pie graph also indicates that	14:10:17	4	not show up in the ASO figures. So I'm not sure we can	14:13:31
5	Anthem Blue Cross has 37 percent of that market, and	14:10:22	5	estimate the impact of those on that ASO population.	14:13:37
6	Cigna has 24 percent, and so taken together, the two	14:10:25	6	COMMISSIONER JONES: Does either company have	14:13:45
7	companies would have 61 percent of the ASO market.	14:10:29	7	for internal planning purposes any sort of analysis of	14:13:47
8	Won't that represent the combined having more than half	14:10:41	8	the scope of the overall ASO market and what share of	14:13:54
9	of the overall ASO market?	14:10:48	9	that market their company has?	14:13:59
10	MR. WAGNER: Just looking at the pie chart, it	14:10:56	10	MR. RICHARDS: Not to my personal knowledge.	14:14:05
11	does. I'm not sure about the sources of the figures.	14:10:59	11	MR. WAGNER: If we do, not to my knowledge.	14:14:07
12	I think our figures might have been a little	14:11:05	12	COMMISSIONER JONES: The information available	14:14:10
13	different from that, but more broadly if you look at the	14:11:07	13	to the Department of Insurance reported by each company	14:14:14
14	ASO it's large employers, who tend to be very	14:11:11	14	last month is as follows: Anthem reported that it had	14:14:17
15	sophisticated who work with consultants who are in turn	14:11:14	15	2.25 million covered lives in self-insured plans it	14:14:23
16	are also sophisticated, and it's a very competitive	14:11:18	16	administers, and Cigna reported approximately	14:14:26
17	marketplace. So certainly the provider or the carriers	14:11:20	17	1.63 million covered lives of self-insured plans it	14:14:30
18	or insurance companies are on this page on this pie	14:11:27	18	administers, which is a total of 3.9 million lives.	14:14:33
19	chart participate in that market, but in addition, you	14:11:29	19	Are those figures inaccurate?	14:14:43
20	have third-party administrators that participate in the	14:11:33	20	MR. RICHARDS: Again, I don't have that number	14:14:47
21	ASO market, and again, there are lots of them, and you	14:11:38	21	in front of me, but my earlier comments were not so much	14:14:49
22	have provider based plans that are increasingly entering	14:11:41	22	that we don't know or were not at all that we don't know	14:14:52
23	the market as well so. It's a very sophisticated	14:11:44	23	our own customer base of ASO customers. We absolutely	14:14:55
24	marketplace and a very competitive marketplace.	14:11:50	24	do. It's more we don't have numbers that are complete	14:14:59
25	COMMISSIONER JONES: But, your nearest	14:11:54	25	for the vast number of competitors that are out there.	14:15:03
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1	That's why we don't really know the total market is for	14:15:09	1	selling will go down for the products that these	14:18:06
2	ASO. We know what our customers are for sure.	14:15:12	2	entities are selling?	14:18:11
3	COMMISSIONER JONES: So I would like to ask	14:15:13	3	MR. WAGNER: That's always potential. I mean,	14:18:14
4	each of you to provide me with your company's best	14:15:15	4	what we're -- you know, the aim obviously is to	14:18:16
5	estimates of the overall market in this area based on	14:15:19	5	increase. We want to bend the cost. So that's bending	14:18:19
6	whatever information you have available, because if	14:15:25	6	it against an increase in medical costs, or keeping	14:18:23
7	you're disputing the -- which I believe you are -- the	14:15:29	7	that -- keeping it flat, or actually, reducing. It	14:18:29
8	completeness of the information provided here, I would	14:15:34	8	depends on the marketplace and underlying costs.	14:18:32
9	like to know what your best estimate is of the overall	14:15:40	9	Premiums, and premium increases are, you know, generally	14:18:36
10	market and your share of that overall market.	14:15:44	10	97 percent of premium increases are associated with the	14:18:42
11	MR. WAGNER: Okay.	14:15:47	11	underlying medical costs. So, trying to bend that cost	14:18:44
12	COMMISSIONER JONES: Would that be agreeable	14:15:47	12	curve and control those costs is absolutely essential in	14:18:49
13	to you also, Mr. Wagner?	14:15:49	13	keeping premiums down and keeping them down.	14:18:54
14	MR. WAGNER: Yes, to the best we can estimate.	14:15:52	14	COMMISSIONER JONES: Are there any specific	14:18:56
15	COMMISSIONER JONES: I understand. I mean,	14:15:55	15	products sold by any of the entities that will survive	14:18:59
16	but the assertion you're both making is that we	14:15:57	16	after the merger that are selling in California for	14:19:04
17	shouldn't worry about the ASO market. I have evidence	14:15:59	17	which it's anticipated that the premium will go down in	14:19:07
18	in front of me that makes me very concerned about the	14:16:02	18	price?	14:19:11
19	ASO market. You're questioning the sufficiency of that	14:16:06	19	MR. WAGNER: I can't say that we've had that	14:19:12
20	evidence, so I would like whatever you have got.	14:16:09	20	degree of detail and prognostication into the ability to	14:19:15
21	MR. WAGNER: Yes, certainly. That's talking	14:16:11	21	bring the down in any one particular market segment or	14:19:22
22	about the numbers, but as Tom indicated, the ASO market	14:16:14	22	not.	14:19:26
23	is particularly unique in that these are very large	14:16:18	23	COMMISSIONER JONES: Not one?	14:19:27
24	sophisticated employers losing an account or gaining an	14:16:23	24	MR. WAGNER: As I said, what we're trying to	14:19:32
25	account can switch these shares around fairly	14:16:27	25	do is obviously bend the cost curve. We would assume	14:19:34
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1	dramatically on awards and losses.	14:16:32	1	that that would benefit across all product categories.	14:19:38
2	Additionally, you know, large brokers	14:16:36	2	So, to the extent it does, it will differ from product	14:19:42
3	typically facilitate these procurements. Large brokers	14:16:39	3	to product.	14:19:49
4	themselves offer products in the form of private	14:16:44	4	COMMISSIONER JONES: So, can you provide any	14:19:51
5	exchanges, etcetera. Private exchanges are growing from	14:16:48	5	enforceable commitment that at least prices for all of	14:19:58
6	the 3 million members, you know, a year ago, to as many	14:16:52	6	these products sold by all of the entities after the	14:20:06
7	as 40 million members in 2018. So we're seeing a lot of	14:16:56	7	merger will not increase?	14:20:11
8	shifts, but the competitors are there, and in the	14:17:02	8	MR. WAGNER: No, I would not -- I would say	14:20:15
9	California marketplace the group wants to make a big	14:17:05	9	that, again, with the underlying medical costs	14:20:17
10	shift of membership, they have numerous options	14:17:09	10	comprising 90 percent of the premium increases, we don't	14:20:22
11	including United, Aetna, Kaiser, Health Net, local	14:17:14	11	have a large amount of control over -- over trying to	14:20:29
12	regional players, including Sutter. Blue Shields is	14:17:18	12	get them flat or decreasing. That's why we're trying to	14:20:33
13	also a large one.	14:17:22	13	influence a true value based contract to the best of our	14:20:33
14	COMMISSIONER JONES: But, certainly both	14:17:23	14	ability.	14:20:42
15	companies must have some estimate of what the share is	14:17:25	15	COMMISSIONER JONES: Is there any products	14:20:42
16	of all of those players in the market.	14:17:29	16	sold by any of the entities that will survive after the	14:20:43
17	MR. WAGNER: As I said, we'll give our best	14:17:32	17	merger that is selling health insurance in the State of	14:20:46
18	estimate we can. Yes.	14:17:35	18	California for which you can provide an enforceable	14:20:49
19	COMMISSIONER JONES: Thank you.	14:17:36	19	guarantee a cost will not go up? Any product?	14:20:52
20	Let me turn now to one of the other asserted	14:17:38	20	MR. WAGNER: No, I can't commit to that.	14:20:54
21	benefits of the merger, which is affordability. This	14:17:42	21	MR. RICHARDS: We would need a, you know,	14:20:58
22	question is for Mr. Wagner.	14:17:48	22	guaranteed commitment from our provider partners in	14:21:00
23	Does the combined entity and its Anthem and	14:17:52	23	order to do that. I don't know that we have those in	14:21:02
24	Cigna subsidiaries anticipate that after the merger	14:17:57	24	terms of multi-year guarantees in the system to be able	14:21:06
25	rates in any of the market segments these entities are	14:18:01	25	do that this morning.	14:21:10
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1	Again, what we're trying to do with	14:21:11	1	there. Right now high cost specialty drugs represent,	14:24:17
2	value-based care is really change the dynamic going	14:21:14	2	you know, just one percent of the scripts that are out	14:24:22
3	forward so that we are taking efficiencies out of the	14:21:16	3	there, but represent as much as 25 to 30 percent of the	14:24:28
4	system while reducing unnecessary medical costs,	14:21:19	4	cost today of 2018. They project that it will be	14:24:32
5	reducing drug spend, increasing drug costs and services	14:21:22	5	15 percent of the Pharma costs associated with that and	14:24:38
6	that are needed for things like product conditions, so	14:21:27	6	those are increasing even more rapidly. So, those are	14:24:39
7	we can actually improve the health of participants, but	14:21:30	7	some of the difficulties.	14:24:43
8	it is not easy. This transition to value-based care,	14:21:34	8	COMMISSIONER JONES: With regard to the	14:24:45
9	while both companies are very committed to it, and I	14:21:37	9	\$2 billion in savings, won't all of it go to the benefit	14:24:46
10	would say most of the delivery system partners that we	14:21:39	10	of shareholders or investors in the company?	14:24:50
11	deal with are committed to it. It's not easy and it's	14:21:43	11	MR. WAGNER: No, that's not accurate.	14:24:55
12	going to take all of us together sometime to figure out	14:21:45	12	COMMISSIONER JONES: What portion will be	14:24:56
13	a better mouse trap to improve care, improve health and	14:21:48	13	allocated to the shareholders, and what portion will be	14:24:57
14	enforce affordability.	14:21:55	14	allocated to policyholders of the 2 billion?	14:25:01
15	I would suspect that the delivery system	14:21:58	15	MR. WAGNER: So to the extent that there are	14:25:04
16	partners we have would similarly struggle to provide a	14:22:02	16	savings in the medical management and network	14:25:05
17	guarantee that they're going to reduce their rates for	14:22:02	17	categories, those go to consumers and employers. To the	14:25:11
18	the next several years, which, again, as Jay just said,	14:22:05	18	extent there are administrative efficiencies that are	14:25:16
19	compose about 97 percent of the increases as we're	14:22:09	19	gleamed from that, it reduces administrative burden	14:25:21
20	dealing with. It's really got to be a partnership of	14:22:13	20	associated with premiums which will also inert to the	14:25:23
21	the payors and the delivery system working together to	14:22:17	21	benefit of consumers and employers, as well as PPMs to	14:25:29
22	find a better way to take unnecessary costs out of the	14:22:20	22	the extent they're available.	14:25:36
23	system and put back in unnecessary costs that are going	14:22:25	23	COMMISSIONER JONES: So, you were kind to	14:25:36
24	to improve the health of Californians.	14:22:29	24	agree to, both, provide me with a breakdown of the	14:25:39
25	COMMISSIONER JONES: So none of you can	14:22:33	25	allocation of the \$2 billion across the exhaustive list	14:25:42
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1	provide any assurance, that any of the health insurance	14:22:35	1	of the synergies. I would like you also provide me,	14:25:46
2	products sold by any of the entities that will continue	14:22:41	2	please, with an allocation of the \$2 billion between	14:25:49
3	selling after the merger will not increase in price, but	14:22:44	3	policyholders and shareholders of the company.	14:25:53
4	at the same time, you're both very confident that	14:22:48	4	MR. WAGNER: If we can split that out.	14:26:00
5	there's going to be 2 billion in savings. So am I to	14:22:51	5	COMMISSIONER JONES: I appreciate that --	14:26:09
6	understand from that, that none of that savings will to	14:22:54	6	MR. WAGNER: -- and supply that.	14:26:12
7	the benefit of consumers in either maintaining or	14:22:58	7	COMMISSIONER JONES: And finally, in the past,	14:26:13
8	reducing the price of insurance that they're paying for	14:23:03	8	Anthem has implemented rate increases that the	14:26:15
9	from any of the merged entities?	14:23:06	9	Department of Insurance's actuaries determined to be	14:26:19
10	MR. WAGNER: Correct. No, we cannot give you	14:23:08	10	excessive or unreasonable.	14:26:24
11	assurance, but we can say that, you know, the cost --	14:23:12	11	Can you, Mr. Wagner, provide me with an	14:26:26
12	there will be cost savings that are accrued to the	14:23:16	12	enforceable guarantee that where either the Department	14:26:32
13	benefit of the members as we described earlier. I think	14:23:19	13	of Managed Health Care or the Department of Insurance	14:26:35
14	one sort of shining example, or maybe not so shining	14:23:22	14	determines that a rate increase is excessive or	14:26:39
15	example of the cost of the medical cost trend that is	14:23:30	15	unreasonable under our statutory rate review process	14:26:43
16	very difficult to control even with a value-based	14:23:35	16	that the merged entities will refrain from imposing that	14:26:47
17	contract is Pharma costs. As we have all seen Pharma	14:23:39	17	rate increase going forward?	14:26:53
18	costs over the past two years have gone up over	14:23:43	18	MR. WAGNER: No, I cannot provide that	14:26:55
19	13 percent each year.	14:23:47	19	guarantee. The rate review process is very transparent	14:26:56
20	Companies like ours have anywhere from 20, 22,	14:23:49	20	and robust. We hope that to the extent that there are	14:27:05
21	23, percent of medical costs associated directly with	14:23:54	21	any considered unreasonable, that that's very limited	14:27:10
22	Pharma. So that's a hard, a hard cost trend to fight	14:23:58	22	circumstance, and we believe that's becoming more so as	14:27:13
23	against with savings in other areas, trying to curve	14:24:04	23	we proceed.	14:27:17
24	that Pharma trend, and in particular, sort of the	14:24:09	24	COMMISSIONER JONES: Why don't we take a break	14:27:18
25	increase in high cost specialty drugs that are out	14:24:14	25	at this time.	14:27:20
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1	It's now 2:30, and what I would like to	14 : 27 : 21	1	floor over to Dr. Fulton.	14 : 45 : 15
2	propose we do is to take a ten-minute break and then	14 : 27 : 24	2	Welcome.	14 : 45 : 17
3	reconvene at 2:40 and we'll move to the next panel.	14 : 27 : 27	3	BRENT FULTON	14 : 45 : 18
4	Gentlemen, thank you very, very much. I	14 : 27 : 32	4	DR. FULTON: Thank you.	14 : 45 : 18
5	appreciate it. I would like to ask you if you could, as	14 : 27 : 34	5	Well, good afternoon, Commissioner Jones, and	14 : 45 : 19
6	we did when we briefed you about the hearing, if you	14 : 27 : 35	6	Deputy Commissioner Rocco and other members of your	14 : 45 : 23
7	could remain for the duration of the hearing in the	14 : 27 : 38	7	staff. Thank you for inviting us to testify today.	14 : 45 : 24
8	event that there are other questions that occur as a	14 : 27 : 40	8	As you know, the Department of Insurance	14 : 45 : 28
9	result of other panels or the public testimony. I do	14 : 27 : 44	9	requested the Nicholas C. Petris Center on health care	14 : 45 : 30
10	appreciate your attendance today and your participation	14 : 27 : 47	10	markets and consumer welfare, which is located in the	14 : 45 : 34
11	in the hearing.	14 : 27 : 51	11	school of public health at U.C. Berkeley.	14 : 45 : 36
12	Thank you very much.	14 : 27 : 52	12	Thank you.	14 : 45 : 41
13	MR. WAGNER: Thank you, Commissioner.	14 : 27 : 54	13	Do you want me to start over are you picking	14 : 45 : 42
14	COMMISSIONER JONES: So we'll take a	14 : 27 : 55	14	it up?	14 : 45 : 43
15	ten-minute break.	14 : 27 : 56	15	MR. WAGNER: That's fine.	14 : 45 : 46
16	(Whereupon, a break was taken from 2:27 p.m.	14 : 27 : 57	16	DR. FULTON: So as you know, the California	14 : 45 : 47
17	to 2:42 p.m.)	14 : 43 : 08	17	Department of Insurance requested the Nicholas C. Petris	14 : 45 : 51
18	COMMISSIONER JONES: We'll now resume the	14 : 43 : 08	18	Center on health care markets on consumer welfare, which	14 : 45 : 54
19	public hearing and our next panel will be a presentation	14 : 43 : 10	19	is located in the school of public health at the	14 : 45 : 56
20	by Professor Brent Fulton, who is with University of	14 : 43 : 15	20	University of California, Berkeley to provide testimony	14 : 45 : 59
21	California Berkeley who will be make a presentation	14 : 43 : 20	21	on Anthem's proposed acquisition of Cigna.	14 : 46 : 03
22	based on an analysis that's been done with regard to the	14 : 43 : 22	22	My name is Brent Fulton. I'm the associate	14 : 46 : 06
23	impacts on competition of the proposed merger.	14 : 43 : 28	23	director of the Petris Center, and I'm an assistant	14 : 46 : 09
24	Before we get to that, though, I do want to	14 : 43 : 32	24	adjunct professor of health economics and policy in the	14 : 46 : 14
25	note that we had anticipated in this panel also to have	14 : 43 : 34	25	school of public health at U.C. Berkeley. This	14 : 46 : 16
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1	a presentation from the California Department of	14 : 43 : 39	1	testimony is co-authored by two other individuals who	14 : 46 : 19
2	Insurance with regard to information related to the	14 : 43 : 43	2	are here with me in the audience, including Richard	14 : 46 : 22
3	department's market conduct examinations of the Anthem	14 : 43 : 48	3	Scheffler, who is both director of the Petris Center,	14 : 46 : 27
4	and Cigna companies that are under the jurisdiction of	14 : 43 : 53	4	and a distinct professor of health, economics and public	14 : 46 : 30
5	the Department of Insurance, and in particular,	14 : 43 : 58	5	policy in the school of public health and the gold man	14 : 46 : 33
6	information about the results of those market conduct	14 : 44 : 02	6	school of public policy at the University of California	14 : 46 : 36
7	exams over the last three or four years as it relates to	14 : 44 : 05	7	Berkeley, and in addition, Daniel Arnold is both a	14 : 46 : 39
8	compliance of any of the companies with the insurance	14 : 44 : 10	8	graduate student at the Petris Center and a doctoral	14 : 46 : 44
9	codes requirements for claims handling. We're going to	14 : 44 : 14	9	candidate in economics at the University of California,	14 : 46 : 47
10	forgo that in the interest of time, but we will make	14 : 44 : 18	10	Santa Barbara. We are providing independent evidence	14 : 46 : 50
11	available, both, on our Website to the public and to the	14 : 44 : 21	11	and analysis concerning the impact of Anthem's proposed	14 : 46 : 55
12	companies a written summation of those results, and we	14 : 44 : 25	12	acquisition of Cigna on health insurer market	14 : 46 : 58
13	do want to provide the companies an opportunity to	14 : 44 : 30	13	concentration for major health insurance primarily	14 : 47 : 02
14	respond to that if they see fit to do so, because	14 : 44 : 34	14	furnished through managed care that is sold to employers	14 : 47 : 05
15	they'll be seeing this -- they'll have seen the market	14 : 44 : 39	15	and consumers as well as to Medicare advantage, Medicare	14 : 47 : 08
16	conduct reports and exams previously, but they won't see	14 : 44 : 44	16	managed care, Try Care beneficiaries all within	14 : 47 : 13
17	this compilation of the information until we present it	14 : 44 : 45	17	California. However, we are not taking a position on	14 : 47 : 16
18	to them, and we'll make it available to the public as	14 : 44 : 49	18	whether the proposed acquisition should be approved, nor	14 : 47 : 22
19	well if the public wishes to comment on it.	14 : 44 : 51	19	the conditions thereof by state and Federal agencies	14 : 47 : 24
20	I'll talk off line with the companies as to	14 : 44 : 55	20	with that authority. Therefore, our goal is to provide	14 : 47 : 28
21	how much time they'll need to respond to it. I want to	14 : 44 : 58	21	independent evidence and analysis to aid those agencies	14 : 47 : 32
22	give them as much time as they need to respond to it,	14 : 45 : 02	22	within that decision authority.	14 : 47 : 36
23	but we'll forgo having testimony about that in the	14 : 45 : 05	23	The following ten points are a summary of our	14 : 47 : 39
24	interest of time.	14 : 45 : 08	24	testimony and main findings. We have submitted our full	14 : 47 : 42
25	So, with that commercial, let me turn the	14 : 45 : 09	25	testimony, which includes a summary to the California	14 : 47 : 46
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1	Department of Insurance. The first three points provide	14 : 47 : 48	1	Points Number 5 through 10 summarize these	14 : 50 : 54
2	background and context.	14 : 47 : 53	2	findings in our results from those four objectives.	14 : 50 : 57
3	Point Number 1. Anthem is a publicly traded	14 : 47 : 55	3	Point Number 5. Insurer consolidation may	14 : 51 : 01
4	health benefits company headquartered in Indianapolis,	14 : 47 : 59	4	lead to scale economies and scope as well as stronger	14 : 51 : 05
5	Indiana with approximately 53,000 employees and 39	14 : 48 : 02	5	negotiating leverage with hospitals, physician	14 : 51 : 09
6	million medical members in the United States. Its 2015	14 : 48 : 06	6	organizations, and other providers of health care	14 : 51 : 11
7	revenue was 79.2 billion with net income of	14 : 48 : 11	7	services that may possess an exercise market power.	14 : 51 : 15
8	\$2.6 billion. Anthem's principal interest is health	14 : 48 : 17	8	This could result in lower costs that could be passed on	14 : 51 : 19
9	insurance in managed care and it is an independent	14 : 48 : 21	9	to purchasers of insurance. However, we are not aware	14 : 51 : 22
10	licensee of the Blue Cross, Blue Shield Association.	14 : 48 : 23	10	of any peer review studies that have found that higher	14 : 51 : 26
11	Under that license trade name it has affiliates in 14	14 : 48 : 27	11	insurance market concentration has lead to lower health	14 : 51 : 30
12	states, including Anthem Blue Cross, and related	14 : 48 : 30	12	insurance premiums.	14 : 51 : 33
13	subsidiary in California. Formally, Anthem used the	14 : 48 : 33	13	Point Number 6. In order to estimate health	14 : 51 : 37
14	name Wild Point in some states, including California,	14 : 48 : 38	14	insurer enrollment in concentration in California, we	14 : 51 : 41
15	and they changed its corporate name to Anthem in	14 : 48 : 41	15	use enrollment data for major health insurance primarily	14 : 51 : 44
16	December 2013.	14 : 48 : 44	16	furnished via managed care from the managed market care	14 : 51 : 48
17	Point Number 2. Cigna Corporation is a	14 : 48 : 47	17	surveyor by health leaders interstudy, a decision	14 : 51 : 54
18	publicly traded health services organization	14 : 48 : 50	18	resources group company. Health leaders interstudy	14 : 51 : 58
19	headquartered in Bloomfield, Connecticut with	14 : 48 : 52	19	primarily collects enrollment data by surveying health	14 : 52 : 01
20	approximately 39,000 employees, and 15 million medical	14 : 48 : 56	20	insurance, and when necessary, supplemented survey-based	14 : 52 : 05
21	members in the United States. Its 2013 revenue was	14 : 48 : 59	21	data with secondary sources, such as, insurer Websites,	14 : 52 : 09
22	37.9 billion with net income of \$2.1 billion. Cigna's	14 : 49 : 07	22	state Websites, and health insurer filings to the	14 : 52 : 13
23	principal business is health insurance and managed care.	14 : 49 : 12	23	National Association of Insurance Commissioners. This	14 : 52 : 16
24	It operates the following subsidiaries in California:	14 : 49 : 15	24	data has been used in peer review studies on health	14 : 52 : 20
25	Cigna Health Care of California Cigna Behavioral Health	14 : 49 : 19	25	insurer concentration and is also used by the American	14 : 52 : 24
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1	Care of California and Cigna Dental Health of	14 : 49 : 25	1	Medical Association in its annual analysis of	14 : 52 : 28
2	California.	14 : 49 : 27	2	competition in health insurance markets.	14 : 52 : 30
3	Point Number 3. Anthem and Cigna are two of	14 : 49 : 28	3	Point Number 7. In California there are	14 : 52 : 34
4	the largest five health insurers in the United States.	14 : 49 : 32	4	32.6 million enrollees with major health insurance,	14 : 52 : 39
5	On July 23, 2015, Anthem filed its intention	14 : 49 : 36	5	primarily, furnished via managed care in the health	14 : 52 : 43
6	to acquire Cigna via Anthem merger sub-corp, a directly	14 : 49 : 41	6	leaders interstudy data as of July 1, 2015, and these	14 : 52 : 46
7	whole owned subsidiary of Anthem.	14 : 49 : 46	7	were the following shares. The employers sponsored in	14 : 52 : 54
8	For this testimony we have the following four	14 : 49 : 50	8	the individual market excluding coverage of California	14 : 52 : 57
9	objectives. First, we briefly summarize the published	14 : 49 : 54	9	was 57.4 percent; Covered California, 4.2 percent;	14 : 53 : 00
10	evidence of the impact of health insurance mergers and	14 : 49 : 57	10	Medicare advantage, seven percent, Medi-Cal managed	14 : 53 : 06
11	market concentration on health insurance premiums.	14 : 50 : 00	11	care, 29.9 percent and try care, 1.5 percent. These	14 : 53 : 12
12	Second, we will describe our enrollment data and our	14 : 50 : 03	12	figures can be found in table one.	14 : 53 : 17
13	methods to estimate market concentration. Third, we	14 : 50 : 07	13	Point Number 8. Although the entire state is	14 : 53 : 23
14	will present Anthem's and Cigna's enrollment in shares	14 : 50 : 13	14	not a single market in an economic or antitrust sense,	14 : 53 : 27
15	in California by line of business and product. This is	14 : 50 : 16	15	we report Anthem and Cigna state enrollment for	14 : 53 : 31
16	done for descriptive purposes because the state is not a	14 : 50 : 19	16	descriptive purposes.	14 : 53 : 34
17	single market in an economic or antitrust sense.	14 : 50 : 23	17	Of California's 32.6 million enrollees Anthem	14 : 53 : 36
18	Fourth, we will provide empirical evidence on how the	14 : 50 : 27	18	has 6 million enrollees with a market share of 8 --	14 : 53 : 41
19	proposed Anthem-Cigna merger will affect health	14 : 50 : 30	19	18.5 percent. Its share is highest for	14 : 53 : 46
20	insurance market concentration at the county level, the	14 : 50 : 33	20	employer-sponsored market as well as the individual	14 : 53 : 50
21	geographical level of which most competition occurs.	14 : 50 : 36	21	market outside of covered California. Within these	14 : 53 : 51
22	Within California with respect to insurers	14 : 50 : 40	22	markets, its share is for -- is 46.2 percent for PPOs;	14 : 53 : 55
23	selling health insurance as well with respect to	14 : 50 : 44	23	37.0 percent for POS or point of service plans, and is	14 : 54 : 04
24	insurers buying health care services from hospitals,	14 : 50 : 45	24	lower for health maintenance organization, 6.7 percent.	14 : 54 : 09
25	physician organizations and other providers.	14 : 50 : 49	25	Of the state's enrollment, Cigna has	14 : 54 : 15
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1	1.0 million enrollees with a share of three percent. It	14:54:18	1	In this situation, the highest concern and	14:57:35
2	is also highest in the markets of the employer-sponsored	14:54:23	2	scrutiny is warranted in four counties. However, the	14:57:39
3	market in the individual market outside of Covered	14:54:26	3	post merger HHI for the median county is still	14:57:43
4	California.	14:54:29	4	considered to be highly concentrated with an HHI of	14:57:47
5	Within these markets for PPOs, its market	14:54:31	5	2,732. You can see table A-4 in the appendix for more	14:57:53
6	share is ten percent; for point of service plans, it's	14:54:34	6	detail. The summary statistics for A-1 through A-4 in	14:57:57
7	6.5 percent; and again, it's lower for HMOs at	14:54:37	7	the appendix are included in A in table 2 of the	14:58:03
8	.5 percent. Therefore, most of Cigna's enrollees are in	14:54:43	8	testimony. It summarizes the key summary statistics of	14:58:07
9	the same mainly the employer-sponsored market and the	14:54:46	9	those tables in the appendix.	14:58:11
10	same products in which Anthem already has significant	14:54:50	10	Although certain counties warrant the highest	14:58:15
11	share in the state. Again, these figures are in table	14:54:53	11	concern and scrutiny for particular product definitions,	14:58:17
12	one.	14:54:57	12	the federal horizontal merger guidelines thresholds does	14:58:22
13	In addition, Anthem has 362,000 enrollees in	14:54:59	13	not represent a rigid test to identify competitively	14:58:26
14	covered California, which represents 26.3 percent share;	14:55:05	14	benign from anti-competitive mergers. Instead, they	14:58:30
15	85,000 enrollees in Medicare advantage, 3.7 percent	14:55:08	15	provide a way to identify mergers when it is important	14:58:35
16	share, and 715,000 enrollees in medical managed care	14:55:13	16	to examine other competitive factors that may influence	14:58:38
17	representing a 7.3 percent share. However, in those	14:55:18	17	the potentially harmful impact of increased competition,	14:58:42
18	previous segments I just described, Cigna has either no	14:55:23	18	such as, the ease of entry, the significant merger	14:58:46
19	or insignificant enrollment in these lines of business.	14:55:26	19	specific efficiencies and the presence of powerful	14:58:50
20	Point Number 9. Based on the U.S. Department	14:55:33	20	buyers.	14:58:54
21	of Justice and the Federal Trade Commission Standards	14:55:33	21	My last point, Point Number 10. In summary,	14:58:55
22	for Reviewing a Horizontal Merger, we analyze insurers,	14:55:41	22	our results provide an important initial barometer that	14:58:59
23	sellers of major health insurance, primarily furnished	14:55:45	23	shows where additional scrutiny may be warranted to	14:59:03
24	through managed care for the employer sponsored in	14:55:49	24	employ more sensitive models with more robust data to	14:59:07
25	individual market, excluding covered California, for	14:55:51	25	better understand the proposed mergers impact on	14:59:11
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1	those lines of business when the product market includes	14:55:55	1	competition.	14:59:13
2	a collection of PPOs, EPOs, point of service plans and	14:55:58	2	Thank you.	14:59:15
3	HMO products.	14:56:04	3	COMMISSIONER JONES: Thank you very much, and	14:59:17
4	So for this collection of products in these	14:56:07	4	I want to thank Dr. Scheffler, and also, your research	14:59:19
5	lines of business, we found that 18 of California's 58	14:56:09	5	associate Mr. Arnold and the Petris Center for your fine	14:59:26
6	counties warrant the highest concern and scrutiny under	14:56:15	6	work on this study. I just have a few questions.	14:59:31
7	the federal horizontal merger guidelines, and this is a	14:56:21	7	One is that the FTC and Department of Justice	14:59:36
8	combination of these counties post merger insurer	14:56:23	8	have laid out these guidelines which you have very ably	14:59:43
9	Herfindahl-Hirschman Index being greater than 200 and	14:56:28	9	applied in regards to the Anthem-Cigna merger and which	14:59:49
10	the change in the HHI being greater than 200 as a result	14:56:30	10	you have provided us with is an analysis that looks at,	14:59:57
11	of the merger. This is detailed in table A-1 in the	14:56:35	11	if you will, different definitions of the overall market	15:00:02
12	appendix of the full testimony. This highest concern in	14:56:41	12	based on product time. So if I understand correctly,	15:00:09
13	scrutiny is also warranted in these lines of business in	14:56:47	13	first you took a look at what the degree of change and	15:00:13
14	41 counties when the product market only includes PPOs,	14:56:50	14	competition is across counties when the market is	15:00:18
15	EPOs and point of service products. This is detailed in	14:56:55	15	understood as a collection of PPO, EPO, POS and HMO	15:00:22
16	table A-2 in the appendix. The highest concern in	14:56:59	16	products, and then you next move to analysis where you	15:00:26
17	scrutiny is also awarded in these lines of business in	14:57:05	17	just look at only the PPO and EPO and POS products, and	15:00:28
18	46 counties when the product market only includes PPOs	14:57:09	18	then third layer of analysis was PPO and EPO products.	15:00:32
19	and EPOs, and again, this information is detailed in	14:57:12	19	I've read elsewhere in other testimony that	15:00:38
20	table A-3 in the appendix.	14:57:16	20	there is not a lot of substituted ability between these	15:00:44
21	Now, turning to analyzing insurers as buyers	14:57:21	21	different product types, and I'm wondering if based on	15:00:51
22	of health care services from hospitals, physician	14:57:24	22	your experience, history analysis, whether you concur	15:00:56
23	organizations and other providers, then the product	14:57:28	23	obviously there is some people that move between to some	15:01:04
24	market includes all lines of business to cross all	14:57:31	24	extent, but what I take is implicit in this analysis is	15:01:07
25	products.	14:57:35	25	that it's not only important to look at the overall	15:01:12
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1	market as defined by all these products, but look more	15:01:15	1	all the products, notwithstanding what we said a moment	15:04:44
2	at a granular level at the competition that occurs or is	15:01:18	2	ago about the lack of substitutability between the	15:04:47
3	lost with regard to a particular narrower set of	15:01:25	3	product types, even if we take the first layer of your	15:04:52
4	products. For example in this case, just the PPO and	15:01:34	4	analysis, which is set forth in a one, there are 18	15:04:55
5	EPO products. Is that a fair -- is that a fair	15:01:37	5	counties where based on the federal horizontal merger	15:04:59
6	characterization of the rationale behind the analysis?	15:01:40	6	guidelines, this particular merger of Anthem and Cigna	15:05:03
7	DR. FULTON: Yes, I think that is a fair	15:01:45	7	warrants the highest of level of concern and scrutiny;	15:05:10
8	characterization that the product market the information	15:01:47	8	is that correct?	15:05:14
9	that you would need to define it in very granular	15:01:51	9	DR. FULTON: That's correct.	15:05:14
10	detail, we didn't have, and so we thought it was	15:01:56	10	COMMISSIONER JONES: But, beyond that, if I	15:05:16
11	important to do this analysis showing what we think is a	15:01:58	11	understand the analysis correctly, and we kept you to a	15:05:17
12	fair representation of what the product markets might	15:02:04	12	strict ten minutes, so you're to be forgiven for not	15:05:23
13	look like, and we think, our table A-3, which is the PPO	15:02:08	13	having a chance to make the point I'm about to make and	15:05:26
14	and EPO market by itself is -- is the narrowest market	15:02:14	14	that is there is another 31 counties where if I	15:05:29
15	that we analyzed, and the reason we did that you	15:02:20	15	understand the analysis at Appendix M correctly, in	15:05:34
16	referred to what is the substitutability of let's say	15:02:23	16	which a moderate concern and level of scrutiny is	15:05:39
17	PPOs if prices were to go up with the PPOs and the EPOs,	15:02:27	17	triggered under the FTC and DOJ guidelines; is that	15:05:47
18	would people transfer over to point of service plans or	15:02:32	18	correct?	15:05:47
19	HMOs? So there was a study in 2002 by Jean Abraham,	15:02:35	19	DR. FULTON: That's correct, the summary	15:05:52
20	William Vogue and Martin Gaynor. This was published in	15:02:41	20	highlighted where there was the highest concern, but	15:05:53
21	September 2002 by the National Bureau of Economic	15:02:46	21	there is three tiers, the highest concern, the moderate	15:05:56
22	Research as a working paper and it found relatively low	15:02:51	22	concern and the lowest concern, and those are spout out	15:06:00
23	cross price elasticities and so to describe what I mean	15:02:55	23	in the appendices as well as summarized on table 2,	15:06:04
24	by that, if the price of a PPO product meaning the	15:02:59	24	which summarize the appendices, the number of counties	15:06:07
25	insurance premium being the price, if it went up by ten	15:03:04	25	that fall and to each of those categories for the four	15:06:11
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1	percent, the demand for HMO products somewhat a	15:03:08	1	product scenarios.	15:06:13
2	substitute would only go up by about one to two percent.	15:03:13	2	COMMISSIONER JONES: And under the most	15:06:14
3	COMMISSIONER JONES: So it's fair to say that	15:03:17	3	charitable, if you will, definition of the market, from	15:06:17
4	in lay person's language, that there is not a lot of	15:03:18	4	the standpoint of the advocates for merger, which is the	15:06:20
5	movement between the products even -- even if pricing	15:03:23	5	notion of the market including all these matters with a	15:06:26
6	one product goes up.	15:03:28	6	lot of substitutability, there are 18 counties in which	15:06:29
7	DR. FULTON: That's correct. These cross	15:03:31	7	there is a high -- highest concern is scrutiny	15:06:34
8	prices elasticities are fairly low.	15:03:33	8	triggered. There are 31 in which there's moderate	15:06:39
9	COMMISSIONER JONES: And from a regulatory	15:03:36	9	concern and scrutiny and the definition under the FTC	15:06:43
10	standpoint, we, at the Department of Insurance, and our	15:03:38	10	and DOJ guidelines with regard to these other 31	15:06:45
11	colleagues, the Department of Health Care, do look at	15:03:43	11	counties is that the loss of competition or stated,	15:06:47
12	each of these markets separately. We also look at them	15:03:47	12	conversely, the additional consolidation potentially	15:06:51
13	together, but I think it's most helpful that you have	15:03:51	13	raises significant concerns and often warrants scrutiny;	15:06:56
14	done the analysis, if you will look -- defining the	15:03:54	14	is that a fair characterization of the FTC, DOJ standard	15:07:00
15	market as including all these products, but then also	15:03:59	15	with regard to this moderate level?	15:07:06
16	providing more, if you will, products specific analysis	15:04:02	16	DR. FULTON: Yes. That's what exactly I	15:07:09
17	because I think that is consistent with how many people	15:04:06	17	meant.	15:07:10
18	operate in the real world. Some people in families want	15:04:10	18	COMMISSIONER JONES: So I interpret that to	15:07:10
19	a PPO and EPO product. Others are more comfortable with	15:04:15	19	mean I ought to be worried about them, too.	15:07:11
20	HMO maybe a little bit of a movement between, but I	15:04:19	20	DR. FULTON: That's correct.	15:07:14
21	think the study you referred to indicates that there is,	15:04:25	21	COMMISSIONER JONES: And of those 31 counties,	15:07:14
22	as you said, in economic terms not a lot of	15:04:28	22	I think it's important to note for those that are	15:07:16
23	cross-elasticity between the various product types.	15:04:35	23	watching online and don't actually have access to this	15:07:18
24	Now, I want to drill a little deeper though	15:04:38	24	excellent material, but we'll make this available on our	15:07:24
25	and that is even if the market is defined as including	15:04:42	25	Website, too, but they include counties as notable and	15:07:28
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1 as populous as Orange County, Los Angeles County, San	15:07:31	1 Herman Smith research professor in health services at	15:11:10
2 Francisco County, San Diego County, just about every	15:07:34	2 the Cal Ex School of Management. She had occasion to	15:11:13
3 county you can imagine. So, I also note that with	15:07:41	3 testify before the Senate Committee on the judiciary	15:11:15
4 regard to your more granular analysis where the	15:07:48	4 subcommittee on antitrust, competition policy consumer	15:11:18
5 definition of the market, if you will, is looking at	15:07:53	5 rights on September 22nd, 2015, and that testimony is, I	15:11:21
6 particular products that there is also a number of	15:08:02	6 believe, an exhibit. If it's not, we'll make it	15:11:33
7 counties that fall into the moderate category as well,	15:08:07	7 generally available. It's not an exhibit currently, but	15:11:35
8 and I'm wondering if you could just quickly confirm what	15:08:12	8 we will make it available on our website. I'm wondering	15:11:39
9 that number is for each of those additional definitions	15:08:16	9 if you are generally familiar with her work, her	15:11:41
10 of the market, if you will.	15:08:23	10 research and her analysis.	15:11:43
11 DR. FULTON: Sure. I'm going to refer to	15:08:27	11 DR. FULTON: Yes, I am.	15:11:45
12 table 2 in the testimony. It's found on page 19, and so	15:08:29	12 COMMISSIONER JONES: So one of the points she	15:11:46
13 the tables is laid out with a four scenarios of lines of	15:08:34	13 makes in her testimony to the United States Senate is	15:11:47
14 business and the products that are included, and they	15:08:40	14 that -- I want to quote it -- "If past is prolog	15:11:51
15 respectively refer to tables A-1, A-2, A-3 and 84. And	15:08:46	15 insurance consolidation will tend to lead to lower	15:12:01
16 so, as I noted in the testimony, if the product market	15:08:51	16 payments to health care providers, but those lower	15:12:04
17 is defined as PPOs, EPOs, point of service plans and	15:08:55	17 payments will not be passed on to consumers. On the	15:12:07
18 HMOs, within the employer-sponsored market and the	15:08:59	18 contrary, consumers can expect higher insurance	15:12:10
19 individual market outside of covered California, then	15:09:03	19 premiums."	15:12:16
20 the highest scrutiny is for 18 counties and moderate	15:09:06	20 So the question I want to ask of you, and I	15:12:16
21 scrutiny is for 31 and the lowest scrutiny is for nine.	15:09:10	21 think you noted this in your verbal testimony as well as	15:12:18
22 If I switched to the second scenario by dropping HMOs	15:09:16	22 your written testimony, is that even if there are cost	15:12:22
23 out of the first scenario, the number of counties	15:09:21	23 savings associated with a reduction of payments to	15:12:30
24 increase warrant the highest scrutiny increase is 41,	15:09:27	24 providers that come from a merger. There is no	15:12:36
25 14, with moderate scrutiny, and three warrant the lowest	15:09:31	25 guarantee is there, that those cost savings will be	15:12:40
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1 scrutiny, and then if we isolate PPOs and EPOs within	15:09:36	1 passed on to consumers in the form of lower premiums, is	15:12:42
2 those markets that I just defined, 46 counties weren't	15:09:40	2 there?	15:12:47
3 the highest scrutiny, seven moderate scrutiny, and five	15:09:44	3 DR. FULTON: That's correct there is no	15:12:47
4 the lowest scrutiny.	15:09:49	4 guarantee.	15:12:48
5 COMMISSIONER JONES: And what is concerting to	15:09:51	5 COMMISSIONER JONES: Okay. Thank you. I	15:12:49
6 me is as you stepped through each of those analyses, the	15:09:53	6 don't have any questions. I really appreciate the	15:12:51
7 latter of the three, I believe, is more reflective of	15:10:02	7 thoroughness, once again, of the Petris Center's	15:12:56
8 how people actually operate in the real world in terms	15:10:05	8 research and I hope you will be able to stay with us a	15:12:58
9 of the lack of substitutability of the products and	15:10:08	9 little bit longer, if possible, but we really appreciate	15:13:01
10 there you have the largest number of counties where the	15:10:12	10 the care and attention with which you have brought to	15:13:04
11 highest degree of concern is triggered under the DOJ,	15:10:17	11 this very, very important analysis, which we will rely	15:13:07
12 FTC guidelines; is that correct?	15:10:21	12 on considerably in making our decision.	15:13:13
13 DR. FULTON: That's correct.	15:10:24	13 Thank you very much.	15:13:16
14 COMMISSIONER JONES: And that's 46 counties?	15:10:24	14 DR. FULTON: Thank you as well.	15:13:16
15 DR. FULTON: That's correct.	15:10:26	15 COMMISSIONER JONES: Thank you.	15:13:17
16 COMMISSIONER JONES: And that list of 46 which	15:10:26	16 Let's now move to our next panel where we'll	15:13:17
17 is set forth in?	15:10:32	17 have an opportunity to hear from representatives of the	15:13:20
18 DR. FULTON: Table A-3.	15:10:37	18 medical provider community, and what I would like do now	15:13:24
19 COMMISSIONER JONES: A-3, also includes	15:10:39	19 is to call them to the witness table, and in particular,	15:13:27
20 counties, such as, Los Angeles, Orange, San Francisco,	15:10:45	20 I understand you'll have an opportunity to hear from a	15:13:33
21 and other -- and other populous counties; correct?	15:10:50	21 Francisco Silva, the general counsel and senior vice	15:13:37
22 DR. FULTON: That's correct.	15:10:55	22 president of the California Medical Association, and	15:13:40
23 COMMISSIONER JONES: And then I'm wondering if	15:10:55	23 also, a representative from the American Medical	15:13:43
24 you're familiar or if you ever had a chance to review	15:10:57	24 Association, Mr. Henry Allen.	15:13:46
25 the testimony of Professor Lemore Daphney, who is the	15:11:02	25 Thank you.	15:13:48
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1	FRANCISCO SILVA	15:13:48	1	When a health plan increases its market power as Anthem	15:16:20
2	MR. SILVA: Thank you.	15:13:48	2	seeks to do so through merger, CMA's concern that the	15:16:23
3	My name is Francisco Silva. I'm the general	15:13:51	3	merged company will be further incentivized and less	15:16:27
4	counsel of CMA and senior vice president. Henry is here	15:13:53	4	hindered by competition to utilize restricted networks	15:16:31
5	with me from the AMA and Henry will be testifying on	15:13:59	5	to limit patient access to medically necessary care and	15:16:34
6	behalf of AMA and also CMA, but I would like to make	15:14:02	6	increase profits.	15:16:37
7	some brief comments before him.	15:14:05	7	What we see is that the health plans and	15:16:38
8	MR. ALLEN: Turn on your mike.	15:14:05	8	insurers do compete based on their network. They	15:16:43
9	MR. SILVA: Is my mike on? There we go.	15:14:10	9	compete on whether certain physicians or physician	15:16:46
10	COMMISSIONER JONES: I was able to hear you	15:14:10	10	groups are part of the network, and the bigger they get,	15:16:49
11	though earlier, but thank you and, at the close we'll	15:14:12	11	the less competition there is, we believe means that	15:16:52
12	want to get your cards to the reporter, and we'll need	15:14:15	12	there is less competitive pressure to create a more	15:16:55
13	Dr. Fulton's card also to the court reporter at the	15:14:19	13	robust network that we believe then translate to	15:16:58
14	close.	15:14:22	14	translate to more access to patient care.	15:17:01
15	Thank you.	15:14:22	15	The other thing that we've seen from past	15:17:04
16	MR. SILVA: And thank you again,	15:14:23	16	mergers, and this stands out is that the administrative	15:17:06
17	Mr. Commissioner, for the opportunity to provide our	15:14:24	17	capacity to administer the business of health insurance	15:17:12
18	perspective on the proposed merger. CMA and AMA have	15:14:27	18	and health plan management is reduced, and I know the	15:17:16
19	long been concerned with the consolidation of the	15:14:31	19	Department and the Insurance Commissioner are very	15:17:21
20	insurance marketplace and the impact it has on	15:14:34	20	familiar with the Pacific Care merger -- United Pacific	15:17:23
21	physicians and their patients.	15:14:37	21	Care merger and what we saw in that instance is an	15:17:29
22	We're concerned that this proposed merger will	15:14:40	22	impact on the ability to process claims, to administer	15:17:32
23	impact patients in the terms of health care access,	15:14:43	23	referral to specialists, to administer the stability of	15:17:38
24	quality and affordability, and for those reasons we urge	15:14:46	24	the network in terms of providers are in the network and	15:17:42
25	the department and you, Insurance Commissioner, to	15:14:52	25	out of the network. There is a lot of mistakes in that	15:17:44
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1	recommend this approval of Anthem's proposed acquisition	15:14:58	1	capacity, and with respect to medical policy and	15:17:49
2	of Cigna to the DOJ and the FTC. It's unquestionable	15:14:59	2	utilization review and access to care determinations.	15:17:53
3	that if approved, the Anthem-Cigna merger significant	15:15:05	3	The second point is our concern with respect	15:17:58
4	already powerful insurers and Henry will touch upon that	15:15:10	4	to the reduction in health care quality and Anthem-Cigna	15:18:00
5	and discuss that.	15:15:16	5	merger, in our view, can be expected to lead to	15:18:05
6	It's also unquestionable that physicians	15:15:17	6	reduction in health care quality. Patients fair better	15:18:07
7	believe that based on CMA's experience and their	15:15:19	7	when there is a competitive marketplace. Larger mergers	15:18:11
8	experience in California with past mergers that the	15:15:24	8	such as the proposed Anthem merger, which result in an	15:18:14
9	result will be a reduction in access to care, and a	15:15:26	9	increase in planned monopsony power result in decisions	15:18:17
10	reduction to quality and reduction to innovation,	15:15:29	10	received reimbursement rates below competitive market	15:18:22
11	collaboration and reduction to affordability.	15:15:34	11	levels.	15:18:25
12	With respect to the reduction in health care	15:15:38	12	As a result patients will be harmed in a	15:18:26
13	access, insurers are already creating very narrow and	15:15:40	13	variety of ways. Physicians may be forced to spend less	15:18:29
14	restricted networks that force patients to go out of	15:15:43	14	time with patients in order to meet their practice	15:18:32
15	network in order to get access to care.	15:15:47	15	expenses. Physicians may also be hindered in their	15:18:35
16	The Anthem-Cigna merger approved would further	15:15:49	16	ability to invest in new equipment, technology,	15:18:38
17	reduce economic pressure on the combined company to	15:15:52	17	training, staff, and or the practice infrastructures	15:18:41
18	offer broader networks as a means to compete for	15:15:55	18	could improve the access and quality of patient care.	15:18:45
19	enrollees and subscribers.	15:15:58	19	In addition, the plan pay increase in power is limited	15:18:48
20	Cigna is convinced that an Anthem and Cigna	15:16:01	20	to physician successful transition into new value-based	15:18:52
21	merger would result in less competitive pressure on all	15:16:03	21	payment and delivery models, and I'll touch upon that at	15:18:56
22	insurers to respond to patient's access needs. Excuse	15:16:07	22	very end.	15:19:00
23	me.	15:16:12	23	History also has shown us that these types of	15:19:00
24	While limited or tiered networks are currently	15:16:16	24	consolidated mergers between large insurance companies	15:19:04
25	being used by health plans to control health care costs.	15:16:18	25	typically result in lower reimbursement rates to	15:19:09
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1	physicians which will ultimately motivate physicians to	15:19:12	1	MR. ALLEN: Thank you, Commissioner Jones. My	15:22:00
2	retire early or seek other opportunities outside of	15:19:18	2	name is Henry Allen. I'm an advocacy attorney at the	15:22:02
3	practicing medicine, and this erosion of the physician	15:19:22	3	American Medical Association working on antitrust	15:22:05
4	work force would also negatively impact the quality of	15:19:26	4	matters in health care and in the insurance markets.	15:22:09
5	health care offered in California, particularly, in	15:19:30	5	I am here today speaking on behalf of the AMA	15:22:12
6	light of the recent expansion of health care coverage	15:19:32	6	and our physician and student members. The AMA has	15:22:15
7	under ACA.	15:19:36	7	analyzed the likely competitive affects of the proposed	15:22:21
8	With respect to affordability, I won't touch	15:19:38	8	Anthem merger with Cigna, both, in the sell side market	15:22:24
9	upon that much. I think some of the other folks will be	15:19:40	9	for the sale of health insurance, and in the buy side	15:22:28
10	testifying about our experience nationally with respect	15:19:46	10	market where health insurers purchase physician	15:22:31
11	to the fact that these mergers do not result in lower	15:19:49	11	services.	15:22:35
12	premiums for consumers.	15:19:52	12	We have concluded that this merger will likely	15:22:35
13	I want to touch lastly with respect to the	15:19:55	13	impair affordability and quality in the sell side market	15:22:38
14	loss of collaboration and innovation. One driver behind	15:19:58	14	for health insurance. On the buy side, the merger will	15:22:43
15	health care reform and value-base health care is	15:20:02	15	deprive physicians of the ability to negotiate	15:22:47
16	incentivized collaboration in the health care market in	15:20:07	16	competitive health insurer contract terms. The result	15:22:50
17	order to increase innovation and reduce cost. When	15:20:09	17	will be detrimental to consumers, and here, Commissioner	15:22:55
18	examining recent mergers, industry experts have	15:20:13	18	Jones, let me repeat what Professor Daphney, now Harvard	15:23:00
19	expressed concern that if insurers have too much market	15:20:15	19	has -- she's moving to Harvard this fall.	15:23:07
20	power, then they have no reason to collaborate with	15:20:18	20	COMMISSIONER JONES: We won't hold that	15:23:11
21	health care providers. California physicians have	15:20:21	21	against her.	15:23:13
22	experienced this affect already in California markets	15:20:24	22	MR. ALLEN: But she says that you have quoted,	15:23:15
23	where health insurers do not negotiate with solo and	15:20:27	23	"If past is prolonged insurance consolidation will tend	15:23:17
24	small group practice physicians, but instead, offer them	15:20:31	24	to lead to lower payments to health care providers, but	15:23:21
25	take it or leave it contracts. While health insureds	15:20:34	25	those lower payments will not be passed on to consumers.	15:23:25
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1	assert their exercise of such results in lower provider	15:20:37	1	On the contrary, consumers can expect higher insurance	15:23:29
2	reimbursement rates, such savings do not benefit the	15:20:41	2	premiums."	15:23:33
3	patient because history has demonstrated that any such	15:20:44	3	For these reasons we conclude that the	15:23:36
4	savings are not passed down in cost savings to the	15:20:48	4	proposed merger would substantially lessen competition	15:23:38
5	patients. Patients lose access to their physicians or	15:20:51	5	and we ask that Anthem's application to merge with Cigna	15:23:42
6	driven out of the network and the opportunity to	15:20:55	6	be denied. Competition is likely to be greatest when	15:23:47
7	collaborate with physicians to provide innovative	15:20:57	7	there are many sellers, none of which have any	15:23:51
8	quality health care is lost. One of the underlying	15:21:00	8	significant market share.	15:23:54
9	premises behind value-based programs from our	15:21:05	9	Unfortunately, many highly populated markets	15:23:57
10	perspective is to create an incentive for all	15:21:11	10	for commercial health insurance in California are highly	15:23:59
11	participants in the health care delivery system to	15:21:14	11	concentrated, and this proposed merger would make	15:24:04
12	collaborate. That means the plan, the physicians, the	15:21:19	12	matters much worse.	15:24:07
13	hospitals, and others to collaborate together to provide	15:21:22	13	The AMA has analyzed data from health leaders	15:24:10
14	a program that improves quality not just maintains it	15:21:25	14	interstudy managed market surveyor mentioned by your	15:24:16
15	and creates efficiencies by reducing cost. If one of	15:21:29	15	expert a little while ago from January 1, 2013. That's	15:24:17
16	the participates is powerful and it becomes a unilateral	15:21:33	16	the -- we publish a study every year on competition and	15:24:23
17	program, quality, it's our view that it won't -- it's	15:21:38	17	health insurance and here is a copy of that study, and	15:24:29
18	not truly value-based, it won't work, because it will be	15:21:43	18	in our -- in our 2/15 update, the most recent data was	15:24:33
19	on take it or leave it basis.	15:21:45	19	2013. We have determined in the accordance with the	15:24:40
20	Thank you.	15:21:48	20	federal government's horizontal merger guidelines that	15:24:44
21	We thank you for considering the impact of the	15:21:49	21	the combined PPO, HMO and POS commercial health	15:24:47
22	proposed Anthem-Cigna merger and our perspective on it	15:21:51	22	insurance market concentrations and change in market	15:24:51
23	and I'll turn it over to Henry.	15:21:55	23	concentrations that would result from the merger.	15:24:56
24	COMMISSIONER JONES: Thank you.	15:21:59	24	The AMA analysis shows that an Anthem	15:24:59
25	HENRY ALLEN	15:22:02	25	acquisition of Cigna would be presumed likely under the	15:25:02
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1	horizontal merger guidelines to enhance market power in	15 : 25 : 06	1	demonstrated in the 2008 hearings before the	15 : 28 : 22
2	the following highly populated California commercial	15 : 25 : 10	2	Pennsylvania Insurance Department on the competition	15 : 28 : 27
3	health insurance markets. Santa Cruz, Watsonville,	15 : 25 : 14	3	ramifications of the proposed merger between high	15 : 28 : 28
4	Santa Anna, Anaheim, Irvine, Santa Barbara, Santa Maria,	15 : 25 : 18	4	marketing and independent Blue Cross in Pennsylvania.	15 : 28 : 32
5	Salinas, Oxnard, Thousand Oaks, Ventura, Los Angeles,	15 : 25 : 24	5	A report commissioned by the Pennsylvania	15 : 28 : 35
6	Long Beach, Glendale, Bakersfield, El Centro and	15 : 25 : 30	6	Insurance Department included that the strength of the	15 : 28 : 40
7	Modesto. Moreover, in each of the aforementioned	15 : 25 : 34	7	blue brand made it unlikely that any competitor would be	15 : 28 : 41
8	populus MSA, the merger would also violate the	15 : 25 : 38	8	able to step into the market and replace a loss in	15 : 28 : 44
9	competitive standards for judging the competitive affect	15 : 25 : 41	9	competition caused by the merger.	15 : 28 : 50
10	of health insurer mergers adopted by the National	15 : 25 : 44	10	Recent developments only highlight the barrier	15 : 28 : 53
11	Association of Insurance Commissioners, the NAIC in its	15 : 25 : 47	11	to entry problem. 12 of the 23 nonprofit insurance	15 : 28 : 56
12	2015 model goal.	15 : 25 : 52	12	cooperatives, which were intended to inject competition	15 : 29 : 00
13	There are also additional heavily populated	15 : 25 : 57	13	into health insurance markets have failed. The quick	15 : 29 : 04
14	MSAs where under the merger guidelines, the merger	15 : 26 : 00	14	death of these co-ops illustrate that even with heavy	15 : 29 : 07
15	potentially raises a significant competitive concern.	15 : 26 : 03	15	federal subsidies, health insurance is a tough business	15 : 29 : 11
16	These include, for example, San Francisco. Also, when	15 : 26 : 07	16	to enter.	15 : 29 : 14
17	the NAIC competitive standard is applied to the merger	15 : 26 : 10	17	One of the most important implications of the	15 : 29 : 16
18	in these markets, it is prima facia and competitive in	15 : 26 : 13	18	barriers to entry that persist with the advent of the	15 : 29 : 18
19	all but one where it just misses a threshold by a hair.	15 : 26 : 18	19	marketplaces is the need to preserve the potential	15 : 29 : 22
20	In sum, under, both, the horizontal merger	15 : 26 : 23	20	competition that would be lost if an incumbent insurer	15 : 29 : 26
21	guidelines and the 2015 NAIC competitive standard, the	15 : 26 : 26	21	is acquired. Thus, when one of the two largest	15 : 29 : 29
22	merger would create market structures that would likely	15 : 26 : 33	22	commercial insurers in the state, Anthem, acquires the	15 : 29 : 32
23	result in any competitive affects in numerous highly	15 : 26 : 35	23	sixth largest, Cigna, the highly concentrated geographic	15 : 29 : 36
24	populated MSAs throughout California. Anthem attempts	15 : 26 : 39	24	markets where Anthem faces little competition are	15 : 29 : 39
25	to establish here as it must that this structural harm	15 : 26 : 46	25	deprived of one of their most likely entrance, Cigna.	15 : 29 : 42
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1	is inconsequential because new firms could easily enter	15 : 26 : 49	1	The foreclosure of its future market role	15 : 29 : 50
2	the market and compete on a scale sufficient to restrain	15 : 26 : 53	2	serves to lessen competition. Professor Daphney	15 : 29 : 52
3	any post-merger exercise of market power. There is no	15 : 26 : 57	3	expressed concern about this loss of potential	15 : 29 : 54
4	credible evidence to support such a story.	15 : 27 : 02	4	competition in her Senate testimony. Quote.	15 : 29 : 57
5	AMA market analysis shows that competition	15 : 27 : 07	5	"Consolidation even in nonoverlapping markets reduces	15 : 30 : 01
6	lost in the merger is likely to be permanent and	15 : 27 : 09	6	the number of potential entrance who might attempt to	15 : 30 : 06
7	acquired health insurance market power would be durable.	15 : 27 : 13	7	overcome price fixing or quality reducing consolidation	15 : 30 : 10
8	In the numerous highly populated MSAs where the merger	15 : 27 : 17	8	and markets where they do not currently operate."	15 : 30 : 13
9	would be anti-competitive, the market shares, ranking of	15 : 27 : 21	9	All right. Let's turn to the likely	15 : 30 : 18
10	market leaders and number of competitors have been	15 : 27 : 24	10	anti-competitive events. First, price increases. So	15 : 30 : 24
11	little changed from 2010 through 2013, the most recent	15 : 27 : 28	11	what will be the likely health insurer price and quality	15 : 30 : 27
12	time frame for which we have data. This is because	15 : 27 : 32	12	affects of this merger if it is approved? A growing	15 : 30 : 29
13	barriers to entry in health insurance prevent new	15 : 27 : 37	13	body of peer review literature suggests that health	15 : 30 : 33
14	entrance from restoring competitive prices.	15 : 27 : 39	14	insurer consolidation leads to price increases, as	15 : 30 : 38
15	Perhaps a greatest obstacle is the so called	15 : 27 : 43	15	opposed to greater efficiencies or lower health care	15 : 30 : 40
16	chicken and egg problem of health insurer market entry.	15 : 27 : 46	16	costs. These studies are discussed in the materials we	15 : 30 : 42
17	Health insurer entrance need to attract	15 : 27 : 49	17	are submitting on Friday. Given the research findings	15 : 30 : 46
18	customers with competitive premiums that can only be	15 : 27 : 52	18	there can be little doubt that an Anthem-Cigna merger	15 : 30 : 51
19	achieved by obtaining discounts from providers.	15 : 27 : 55	19	would produce the higher premiums predicted by the	15 : 30 : 55
20	However, providers usually offer the best discount to	15 : 27 : 58	20	market concentrations and their merger-induced increase.	15 : 30 : 57
21	incumbent insurers with significant business. Hence,	15 : 28 : 03	21	Anthem has had a long history of not hesitating to	15 : 31 : 02
22	incumbent insurers have a durable cost advantage. The	15 : 28 : 06	22	increased premiums to levels that the California	15 : 31 : 05
23	second most significant barrier is the incumbent	15 : 28 : 11	23	Department of Insurance has found unjustified.	15 : 31 : 08
24	insurers brand recognition. The blues brand possessed	15 : 28 : 16	24	Plan quality. The competitive mechanisms	15 : 31 : 13
25	by Anthem is the most powerful. This was well	15 : 28 : 19	25	linking diminished competition to higher prices operates	15 : 31 : 17
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1	similarly with respect to lower plan quality. Insurers	15:31:19	1	and provider availability.	15:34:29
2	are already creating very narrow and restricted networks	15:31:23	2	While regulation of provider networks and	15:34:31
3	that force patients to go out of network to access care.	15:31:27	3	network products is a critical component of ensuring	15:34:33
4	A 2015 study by the University of Pennsylvania	15:31:31	4	patient access to care, market competition and	15:34:37
5	researchers shows that 76 percent of health plans sold	15:31:34	5	associated consumer pressures to maintain or improve the	15:34:40
6	in California through covered California have	15:31:39	6	quality of products, including provider networks is	15:34:43
7	significantly limited networks. A California medical	15:31:42	7	essential.	15:34:47
8	association survey conducted about a month ago asked	15:31:46	8	Without competition among health insurers to	15:34:49
9	questions -- asked physicians questions concerning	15:31:51	9	offer comprehensive networks in accurate and accessible	15:34:52
10	network adequacy and the likely affects of the	15:31:54	10	provider directors, patients will be choosing among	15:34:57
11	Anthem-Cigna merger. 989 physicians completed the	15:31:59	11	limited, low quality products without the ability to	15:34:59
12	lengthy CMA survey. It's unusually large number in	15:32:07	12	lower their fee.	15:35:04
13	history of CMA surveys.	15:32:10	13	I'll talk a little about monopsony. Consumers	15:35:06
14	I think, Francisco, you said it was like a	15:32:11	14	also do best when there is a competitive market for	15:35:09
15	third.	15:32:15	15	purchasing physician services. This was the well	15:35:13
16	MR. SILVA: Top three.	15:32:15	16	documented conclusion reached in the 2008 hearings	15:35:16
17	MR. ALLEN: It's the top three. Of	15:32:17	17	before the Pennsylvania Insurance Department on the	15:35:19
18	respondents to the CMA survey who contracted with	15:32:18	18	competition ramifications of the proposed merger between	15:35:22
19	Anthem, 32 percent, that's one in three, said that they	15:32:22	19	high marketing and independent Blue Cross.	15:35:26
20	had difficulty finding available in network physicians	15:32:28	20	Based on an extensive record of nearly 50,000	15:35:29
21	who accepted new patients for referrals. 26 percent of	15:32:32	21	pages of expert and other commentary, the Pennsylvania	15:35:33
22	respondents who are contracted with Cigna reported	15:32:38	22	Insurance Department was prepared to find the proposed	15:35:37
23	similar experiences. Comments included, quote, "No	15:32:41	23	merger to be anti-competitive in large part because it	15:35:41
24	patients report being able to obtain timely appointments	15:32:46	24	would have granted the merged health insurer undue	15:35:44
25	with primary care providers."	15:32:50	25	leverage over physicians and other health care	15:35:48
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1	Moreover, 53 percent of California physicians	15:32:54	1	providers. This leverage would be, quote, "To the	15:35:49
2	survey respondents who were contracted with Anthem	15:32:59	2	detriment of the insurance buying public," close quote	15:35:55
3	encountered formulary limitation which, quote,	15:33:03	3	and would result in, quote, "weaker provider networks	15:35:57
4	"presented a patient's optimal treatment." Close quote.	15:33:06	4	for consumers who depend on these networks for access to	15:36:01
5	42 percent of respondents contract the Cigna-similar	15:33:11	5	quality health care." Close quote.	15:36:05
6	experiences.	15:33:15	6	Indeed, even in markets where the merged	15:36:08
7	An Anthem-Cigna merger threatens to reduce	15:33:16	7	health insurers might lack monopoly or market power to	15:36:11
8	access to care. 82 percent of physician practice	15:33:20	8	raise premiums for patients, the merged insurers would	15:36:15
9	decision makers responding to CMA survey believe that	15:33:24	9	still likely have the power to force down physician	15:36:17
10	the Anthem-Cigna merger would vary or somewhat likely	15:33:28	10	compensation to any competitive levels that are	15:36:20
11	lead to narrower physician networks, which will in turn	15:33:31	11	ultimately harmful to patients. This is because	15:36:24
12	reduce patient access to care.	15:33:36	12	physicians could not readily replace lost business by	15:36:27
13	Your department clearly takes the issue of	15:33:39	13	refusing a merged Anthem-Cigna contract and dealing with	15:36:32
14	network adequacy and transparency very seriously given	15:33:42	14	other payers without suffering irretrievable lost	15:36:35
15	its actions over the last several years on provider	15:33:48	15	income. It is difficult to convince consumers, which in	15:36:38
16	networks. You played a prominent role on the NAIC work	15:33:50	16	many cases are employers to switch to different health	15:36:42
17	group that revised NAIC standard -- that revised the	15:33:56	17	insurers.	15:36:42
18	NAIC network adequacy model bill. However, the CDI no	15:34:00	18	Also, switching health insurers is a very	15:36:47
19	doubt appreciates the network adequacy requirement	15:34:05	19	difficult decision for physicians, because it impacts	15:36:50
20	standards are no panacea for the weaker provider	15:34:08	20	their patients and disrupts their practice. Moreover,	15:36:53
21	networks likely to result in the Anthem-Cigna merger.	15:34:12	21	the reduction in the number of health insurers would	15:36:58
22	Generally speaking, the network's focus on	15:34:15	22	create health insurer oligopsony that through	15:37:01
23	notions of whether enough providers and facilities are	15:34:18	23	coordinated interaction can exercise buyer power.	15:37:07
24	included in the network, they address adequacy as a	15:34:21	24	Indeed, the setting of payment rates paid to	15:37:12
25	floor and not as a prescription for optimal physician	15:34:25	25	physicians is highly susceptible to the exercise of	15:37:15
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1	monopsony power through coordinated interaction by	15:37:20	1	monopsony power, the merger promises to make matters	15:40:23
2	health insurance companies.	15:37:23	2	worse. 83 percent of responding physicians said that	15:40:25
3	Health insurance companies have a strong	15:37:25	3	the merger of Anthem and Cigna would make the process of	15:40:31
4	incentive to follow a price leader when it comes to	15:37:28	4	contract negotiations even less favorable for	15:40:35
5	payment rate to physician payment rates.	15:37:31	5	physicians.	15:40:40
6	Fortunately, the antitrust division as the	15:37:36	6	Physicians responding to the CMA survey also	15:40:42
7	Department of Justice has recognized that health insurer	15:37:38	7	identify the very large percentages -- excuse me -- also	15:40:44
8	mergers can enhance or entrench monopsony power that's	15:37:41	8	identified by very large percentages a number of	15:40:49
9	harmful to consumers. It has successfully challenged	15:37:45	9	anti-competitive affects likely to occur in the event of	15:40:54
10	two health insurer mergers. Nearly half of all cases	15:37:52	10	an Anthem-Cigna merger. An astonishing 89 percent of	15:41:00
11	brought against health-insurer merges based in part on	15:37:53	11	physician decision maker said there would be a reduction	15:41:01
12	DOJ claims that the mergers would have any competitive	15:37:56	12	in the quality and quantity of the services that	15:41:04
13	affects in the purchase of physician services.	15:38:00	13	physicians are able to offer their patients as a result	15:41:07
14	In a third merger matter involving Blue Cross,	15:38:03	14	of the merger. 82 percent reported that they will be	15:41:11
15	Blue Shield of Michigan in 2010, the health insurers	15:38:06	15	very or somewhat likely pressured not to engage in	15:41:16
16	abandoned their merger plan when the DOJ complained that	15:38:10	16	aggressive patient advocacy as a result of the merger.	15:41:20
17	the merger, quote, "would have given Blue Cross Michigan	15:38:13	17	The extent of the merged entity's monopsony power and	15:41:25
18	the ability to control physician payment rates in a	15:38:16	18	how it may injure consumers is revealed in physician	15:41:29
19	manner that could harm the quality of health care	15:38:20	19	responses to the question of whether there would be any	15:41:34
20	delivered to consumers." Close quote.	15:38:23	20	consequences in not continuing to contract with the	15:41:36
21	DOJ's monopsony challenges properly reflect	15:38:26	21	merged firm. 31 percent of the respondents said they	15:41:40
22	the agency's conclusions that it is a mistake to assume	15:38:30	22	would need to cut investments and practice	15:41:44
23	that a health insurer's negotiating leverage acquired	15:38:34	23	infrastructure. 40 percent would need to cut or reduce	15:41:47
24	through a merger is a good thing for consumers.	15:38:37	24	staff salaries. 43 percent would have to spend less	15:41:52
25	We heard this representation being made today	15:38:40	25	time with patients and 27 percent would need to cut	15:41:54
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1	that there will be two sumo wrestlers facing off and	15:38:44	1	quality initiatives for patients services. Such	15:41:57
2	that somehow consumers will benefit to offset provider	15:38:49	2	reduction in service levels and quality of care would	15:42:01
3	power we -- if you allow this merger. But, on the	15:38:51	3	cause immediate harm to consumers. In the long run, it	15:42:04
4	contrary, consumers can expect higher insurance	15:38:55	4	is imperative to consider whether monopsony power	15:42:08
5	premiums. That is because health insurer monopsonists	15:39:00	5	enhanced in the merger would harm consumers by driving	15:42:13
6	typically are all for monopolists. Facing little, if	15:39:04	6	physicians from the market.	15:42:15
7	any, competition they lack the incentive to pass along	15:39:07	7	Health Insurance payments that are below	15:42:18
8	cost savings to consumers.	15:39:12	8	competitive levels may reduce patient care and access by	15:42:21
9	Results of the CMA survey on the monopsony	15:39:15	9	motivating physicians to retire early or seek	15:42:24
10	issue. The CMA survey explored the monopsony issue. We	15:39:19	10	opportunities outside of medicine that are more	15:42:29
11	begin with a principal -- we begin with a principal that	15:39:23	11	rewarding financially or otherwise. This is a serious	15:42:30
12	a loss of competition in the buy side market for the	15:39:26	12	concern. Recent projections by the health resources and	15:42:34
13	purchase of physician services occurs when the merging	15:39:30	13	services administration suggest a significant shortage	15:42:38
14	health insurers hold contract with a significant number	15:39:35	14	of primary care physicians in the United States.	15:42:41
15	of physicians who are financially dependent on	15:39:38	15	According to the CMA survey if Anthem-Cigna were to	15:42:46
16	contracting with the merged health plans. This is	15:39:41	16	merge and physicians did not continue to have a contract	15:42:49
17	precisely the case in a merger of Anthem with Cigna.	15:39:46	17	with the merged health plan, significant numbers of	15:42:52
18	71 percent of physician respondents to the CMA survey	15:39:50	18	physicians would be driven from the market. 13 percent	15:42:55
19	felt they had to contract with Anthem in order to have a	15:39:54	19	would retire from active practice. 15 percent would	15:42:59
20	financial viable practice and 47 percent felt that way	15:39:58	20	need to close their practice. And eight percent would	15:43:03
21	with respect to Cigna. 66 percent and 45 percent of	15:40:03	21	move their practice to a more competitive reimbursement	15:43:05
22	practice decision makers who are contracted with Anthem	15:40:08	22	market.	15:43:09
23	and Cigna respectively reported that contracts were take	15:40:13	23	In conclusion, it is critical for CDI to	15:43:10
24	it or leave it offers.	15:40:18	24	reject the proposed merger so that consumers and	15:43:14
25	While these percentages are indicative of	15:40:20	25	physicians have adequate competitive alternatives.	15:43:17
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1	Unless the application is rejected, the merged entity	15 : 43 : 22	1	We are at 4 o'clock now. So, what I want to ask is	15 : 57 : 05
2	would likely be able to raise premiums, reduce planned	15 : 43 : 26	2	that -- and we do have written testimony from everybody,	15 : 57 : 10
3	quality, and lower payment rates for physicians to a	15 : 43 : 29	3	which we will look at very carefully. I want to ask if	15 : 57 : 15
4	degree that would reduce the quality or quantity of	15 : 43 : 33	4	those that are testifying going forward would attempt to	15 : 57 : 19
5	services that physicians offer to patients.	15 : 43 : 36	5	keep their remarks to between 5 to 7 minutes, because we	15 : 57 : 23
6	Thank you very much.	15 : 43 : 41	6	do want to afford the public that has not had a chance	15 : 57 : 27
7	COMMISSIONER JONES: Thank you, Mr. Allen, and	15 : 43 : 42	7	to testify so far an opportunity to testify, and let me	15 : 57 : 32
8	thank you, Mr. Silva. I really appreciate the	15 : 43 : 43	8	see by a show of hands in the room how many folks are	15 : 57 : 34
9	thoroughness of the analysis and the testimony and I	15 : 43 : 47	9	members of the general public that have not already had	15 : 57 : 38
10	appreciate your providing to us, both, the AMA analysis	15 : 43 : 51	10	an organizational representative or some entity either	15 : 57 : 43
11	of the Metropolitan statistical areas with regard to the	15 : 43 : 56	11	testified or about to testify?	15 : 57 : 48
12	application of the FTC and DOJ guidelines to California	15 : 44 : 01	12	Anybody else here who wishes to testify who is	15 : 57 : 49
13	MSAs and the impact on competition associated with this	15 : 44 : 06	13	not already been or will be represented in some	15 : 57 : 54
14	merger. It's very consistent with the expert testimony	15 : 44 : 12	14	capacity?	15 : 57 : 57
15	that we received earlier, which did a county-by-county	15 : 44 : 17	15	Well, that makes it a little easier.	15 : 57 : 59
16	analysis, and also, appreciate the provision of the	15 : 44 : 20	16	There may be some in the overflow room. We'll	15 : 58 : 03
17	survey results as it relates to the views of California	15 : 44 : 24	17	provide an opportunity, and I will stay as long as	15 : 58 : 08
18	physicians with regard to this merger as well. So we	15 : 44 : 30	18	necessary to hear each and every person that does wish	15 : 58 : 12
19	will very carefully consider all that.	15 : 44 : 34	19	to testify, and our very able IT staff will stay as	15 : 58 : 15
20	I don't have any questions at this time, but,	15 : 44 : 35	20	well, and we'll see whether all of you stay.	15 : 58 : 22
21	again, really appreciate your participation in the	15 : 44 : 37	21	But in any event, why don't we turn to the	15 : 58 : 27
22	hearing, your testimony, and thank you, Mr. Allen, for	15 : 44 : 40	22	California Physical Therapy Association.	15 : 58 : 31
23	journeying all the way here to participate in the	15 : 44 : 46	23	Welcome.	15 : 58 : 32
24	hearing.	15 : 44 : 46	24	TAMEKA ISLAND	15 : 58 : 32
25	MR. ALLEN: Thank you, Commissioner.	15 : 44 : 49	25	MS. ISLAND: Thank you, Commissioner.	15 : 58 : 32
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1	COMMISSIONER JONES: Thank you.	15 : 44 : 49	1	Good afternoon, I am Tameka Island with the	15 : 58 : 34
2	Let me check in with the court reporter. We	15 : 44 : 49	2	California Physical Therapy Association, and again,	15 : 58 : 36
3	do have our next panel, which has on it representatives	15 : 44 : 51	3	thank you Commissioner Jones and CDI staff for the	15 : 58 : 39
4	of various estate and national consumer organizations	15 : 44 : 56	4	opportunity to offer testimony on the proposed	15 : 58 : 44
5	and I want to see how the reporter is doing before we	15 : 45 : 01	5	Anthem-Cigna merger today.	15 : 58 : 46
6	launch into that panel.	15 : 45 : 03	6	The California Physical Therapy Association is	15 : 58 : 48
7	COURT REPORTER: Break please.	15 : 45 : 08	7	the largest third largest physical association in the	15 : 58 : 52
8	COMMISSIONER JONES: Okay. We'll take a	15 : 45 : 09	8	world, and as a chapter of the American Physical Therapy	15 : 58 : 54
9	ten-minute break, and we will resume at five to the	15 : 45 : 10	9	Association which represents more than 93,000 physical	15 : 58 : 59
10	hour. It's actually an eight-minute break, and so, with	15 : 45 : 15	10	therapists and physical therapists assistants	15 : 59 : 02
11	that we are going to recess until five minutes to	15 : 45 : 20	11	nationwide.	15 : 59 : 05
12	4 o'clock.	15 : 45 : 23	12	I offer public comment regarding the proposed	15 : 59 : 06
13	Thank you.	15 : 45 : 24	13	Anthem-Cigna acquisition currently under consideration	15 : 59 : 08
14	(Whereupon, a break was taken from 3:45 p.m.	15 : 45 : 24	14	by the California Department of Insurance. CPTA has a	15 : 59 : 12
15	to 3:56 p.m.)	15 : 50 : 34	15	number of concerns with the proposed merger. The	15 : 59 : 16
16	COMMISSIONER JONES: So we'll resume the	15 : 56 : 30	16	primary concern being the potential risk of reduced	15 : 59 : 20
17	hearing at this point. We're going to begin with	15 : 56 : 33	17	competition and a decrease in consumer choice. Reduced	15 : 59 : 24
18	testimony from the California Physical Therapy	15 : 56 : 36	18	competition often results in an increase in consumer	15 : 59 : 29
19	Association. We had a little bit of a miscue earlier.	15 : 56 : 39	19	health care costs because of a lack of viable options	15 : 59 : 33
20	When I called the medical providers, I thought all the	15 : 56 : 45	20	available to the public.	15 : 59 : 35
21	medical providers had come forward, but there was a	15 : 56 : 48	21	The merger of Anthem and Cigna will bring the	15 : 59 : 38
22	misunderstanding to that, and so we're delighted to have	15 : 56 : 52	22	private health insurance market from five large players	15 : 59 : 40
23	the California Physical Therapy Association here to	15 : 56 : 55	23	to three. This will actually improve efficiencies and	15 : 59 : 44
24	provide additional testimony from a provider perspective	15 : 56 : 56	24	reduce cost for consumers down the line in, quote,	15 : 59 : 48
25	then we will move smartly to the consumer organizations.	15 : 57 : 01	25	Cigna's spokesman Matt Asencio stated. CPTA finds	15 : 59 : 52
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1 Mr. Asencio's statement problematic based upon Anthem's	15:59:56	1 doubled. Information from other states, including	16:03:09
2 past inability to offer enrollee access to medically	16:00:01	2 Connecticut, Nevada, New York and Vermont notes delays	16:03:12
3 necessary care and past failures to satisfy the state's	16:00:05	3 of up to 14 days in prior authorization requests.	16:03:15
4 ongoing concern with regard to increased denials for	16:00:09	4 Delaying the approval for skilled physical	16:03:20
5 justified care, as well as failing to provide enrollees	16:00:14	5 therapy will not only increase health care cost, but	16:03:24
6 and providers with clinical evidence based guidelines to	16:00:18	6 most importantly, delays to initiate treatment	16:03:25
7 support the large volumes of denials.	16:00:22	7 jeopardizes negatively impact the patient's recovery and	16:03:30
8 Recently the DMHC issued an accusation and	16:00:25	8 overall well-being. The potential affects to the	16:03:32
9 cease and desist order against Anthem on November 18,	16:00:30	9 consumer could be catastrophic.	16:03:36
10 2013. Based upon Anthem's unjustified denial of	16:00:33	10 In closing, Anthem's subpar management of its	16:03:38
11 enrollee coverage request for speech therapy and	16:00:39	11 utilization process and reduced access to medical	16:03:40
12 occupational from 2010 to 2013. Under that order,	16:00:43	12 necessary health care services will likely expand with	16:03:46
13 Anthem had to revise its clinical guidelines for speech	16:00:48	13 merging with Cigna's large network of enrollees and	16:03:47
14 therapy and occupational therapy and had to notify its	16:00:53	14 providers.	16:03:51
15 providers and enrollees of the provision while also	16:00:55	15 Under current circumstances CPTA urges the CDI	16:03:51
16 reimbursing portions of paid premium back to enrollees.	16:00:58	16 to reject Anthem's proposal to acquire Cigna and please	16:03:55
17 This accusation clearly demonstrates Anthem's inability	16:01:02	17 protect consumer choice in the great State of	16:04:00
18 to manage specialty care and its adverse impact on	16:01:07	18 California.	16:04:02
19 access to necessary health care services.	16:01:11	19 Thank you.	16:04:03
20 Anthem has similarly demonstrated difficulty	16:01:16	20 And CPTA will provide written comment as well.	16:04:04
21 in managing its proposed contract to partner with	16:01:18	21 COMMISSIONER JONES: Thank you very much. I	16:04:07
22 OrthoNet for utilization management of physical therapy	16:01:21	22 greatly appreciate your attendance and thoughtful	16:04:09
23 and occupational therapy services. Despite Anthem	16:01:25	23 necessary of the testimony.	16:04:13
24 applying for approval of this agreement in July 2015,	16:01:29	24 Is there more? Excellent.	16:04:14
25 the DMHC issued an order postponing notice of material	16:01:33	25 And you will be adding some additional	16:04:18
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1 modification on August 2015. This order still remains	16:01:38	1 testimony to what was already provided?	16:04:21
2 in effect and Anthem has failed to cure its deficiencies	16:01:42	2 DENNIS LINCOLN	16:04:29
3 with the department.	16:01:46	3 MR. LINCOLN: Yes, sir.	16:04:24
4 Further, in a recent correspondence to Anthem,	16:01:48	4 COMMISSIONER JONES: Please, go ahead.	16:04:24
5 the DMHC referred Anthem to DMHC's enforcement unit for	16:01:51	5 MR. LINCOLN: Hi. Thank you for the	16:04:25
6 investigation and possible disciplinary action for the	16:01:56	6 opportunity to speak today. My name is Dennis Lincoln.	16:04:26
7 aforementioned deficiencies. These issues confirm that	16:02:02	7 I'm a practicing physical therapist in California and	16:04:30
8 Anthem is unequipped under its current structure to	16:02:04	8 have been such for more than 42 years, the past 33 of	16:04:32
9 manage access to necessary health care services and has	16:02:07	9 which has been a independent business owner. I'm also a	16:04:35
10 failed to demonstrate for nearly a year that it can	16:02:11	10 member of California Physical Therapy Association's	16:04:38
11 manage health care benefits. These documented	16:02:14	11 payment policy committee. In my role as a practitioner,	16:04:41
12 deficiencies are currently in 2015, 2016, and ongoing.	16:02:18	12 a business owner, and a committee member I have been	16:04:44
13 Similarly, Cigna currently utilizes a benefit	16:02:21	13 intimately involved with the practices employed by Cigna	16:04:47
14 administrator, American Specialty Health, to manage its	16:02:27	14 and Anthem in administering their physical therapy	16:04:49
15 utilization review, provide a network for claims for	16:02:29	15 networks and as such, I am here to speak on opposition	16:04:50
16 physical therapy and occupational therapy services.	16:02:32	16 of the Anthem-Cigna merger.	16:04:54
17 During the past year, in which ASH, American	16:02:35	17 As mentioned previously Anthem currently uses	16:04:56
18 Specialty Health, has been utilized in California,	16:02:39	18 a company called Ortho Net in states other than	16:05:01
19 consumers have reported many of the same issues noted	16:02:42	19 California to control access and utilization for	16:05:02
20 above with Anthem. The primary grievance being delays	16:02:46	20 physical therapy services. In a survey of 109 physical	16:05:04
21 in treatment in authorization generally 50 percent	16:02:51	21 therapy practices in the state of Missouri, 102 of them	16:05:09
22 longer than the clinical guidelines stipulate.	16:02:53	22 reported Anthem -- the Anthem OrthoNet relationship the	16:05:11
23 Beginning in 2016, Cigna began using ASH in	16:02:58	23 delayed access to care that was previously deemed	16:05:15
24 all states where it provides product lines. Since that	16:03:03	24 medically necessary by the physician and/or physical	16:05:17
25 time, the delays in the authorization process has	16:03:05	25 therapists. Similarly, reports come from practices in	16:05:19
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30 (Pages 114 to 117)

1	Colorado, Illinois, New York, Kentucky and others. I am	16:05:25	1	Thank you very much.	16:07:46
2	very concerned that allowing Anthem to expand an	16:05:27	2	COMMISSIONER JONES: Thank you very much. I	16:07:47
3	inefficient program will obstruct and delay needed care	16:05:30	3	appreciate as well your sharing your, and that of other	16:07:52
4	for Californians seeking physical therapy, similarly	16:05:33	4	physical therapists' personal experience in providing	16:07:54
5	again as mentioned Cigna utilizes American specialty	16:05:36	5	care to patients who are covered by Anthem and Cigna,	16:07:59
6	health --	16:05:45	6	and I would like to ask if we could get both of your	16:08:04
7	COURT REPORTER: Slow down, please.	16:05:45	7	testimony in writing. It would be extraordinary	16:08:09
8	MR. LINCOLN: I'm sorry.	16:05:45	8	helpful, and I think also, you mentioned Missouri, New	16:08:12
9	Cigna utilizes American's Specialty Health, or	16:05:45	9	York, Wisconsin and other states where there have been,	16:08:18
10	ASH, as a third-party administrator for their physical	16:05:46	10	if I understood correctly, surveys of physical	16:08:22
11	therapy network. While ASH promises to turnaround -- a	16:05:49	11	therapists who had experience with, if I understood	16:08:25
12	turnaround time of 48 hours to approve care that is	16:05:53	12	correctly, OrthoNet and if that information is available	16:08:29
13	already been deemed medically necessary by the referring	16:05:55	13	in some form that you could provide to us, that would be	16:08:33
14	physician and/or physical therapist, the reality is that	16:05:58	14	helpful as well. We would like to get it before Friday	16:08:35
15	care is often delayed up to two weeks. As mentioned in	16:06:01	15	and any other written materials that you think would be	16:08:40
16	2016, they began using ASH in all states and the problem	16:06:04	16	of assistance to us in understanding the provision of	16:08:43
17	has since only gotten worse. Most OrthoNet and ASH	16:06:08	17	physical therapy and the history and experience that	16:08:48
18	established arbitrary limits in the small amounts on the	16:06:12	18	physical therapists have had with the two companies in	16:08:51
19	number of visits that are approved regardless of the	16:06:16	19	your views with regard to this merger would be more	16:08:55
20	patient's diagnosis, the complexity of their condition,	16:06:17	20	helpful.	16:08:55
21	or the defined planned benefits which disrupts care and	16:06:21	21	Thank you.	16:08:57
22	in the end extends overall cost to the consumer. For	16:06:24	22	MS. ISLAND: Yes, the information is available	16:08:57
23	example, OrthoNet will only approve a single visit for	16:06:29	23	and we will certainly provide it to you, Commissioner	16:09:00
24	any patient referred to physical therapy without	16:06:31	24	Jones, prior to the 4/1 deadline.	16:09:01
25	regard -- without going through the review process	16:06:33	25	COMMISSIONER JONES: Wonderful. Thank you,	16:09:02
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1	regardless of what the physician requests.	16:06:36	1	both very, very much.	16:09:03
2	Other issues being experienced in California	16:06:39	2	MS. ISLAND: Thank you for the opportunity.	16:09:04
3	and other states where Anthem and Cigna operate their	16:06:41	3	COMMISSIONER JONES: Thank you.	16:09:05
4	networks include retroactive denials or not	16:06:44	4	I appreciate you for sharing your perspective	16:09:07
5	authorization when an authorization actually exists,	16:06:47	5	in the associations of physical therapists.	16:09:09
6	denying dates of service when an authorization for those	16:06:50	6	Thank you.	16:09:11
7	services is on file, increased administrative burdens	16:06:52	7	So now we're going to move to the panel of	16:09:12
8	related to the number of calls required to reprocess	16:06:58	8	consumer organizations, and I believe we have five	16:09:17
9	claims and delays improving post-operative patients thus	16:06:59	9	organizations represented, and there may be more I'm	16:09:21
10	extending their recovery time at patient's expense.	16:07:03	10	told. Okay. Good. Excellent.	16:09:26
11	Customers who purchase insurance from Anthem and Cigna	16:07:07	11	So, what I would like to propose we do by way	16:09:29
12	are unaware that a third party not involved in their	16:07:10	12	of order is start with Mr. David Balto on behalf of the	16:09:33
13	care has an ability to deny their services. This is a	16:07:12	13	coalition to protect patient choice and consumer action,	16:09:40
14	total lack of transparency to the consumer.	16:07:16	14	and then, Miss Ma from Health Access, then Miss Balber	16:09:43
15	I feel that we are dealing with two companies	16:07:19	15	from Consumer Watchdog, and then I believe we have a	16:09:50
16	that have failed to administer their specialty networks	16:07:21	16	representative from the Greenlining Institute, and then	16:09:53
17	in a manner beneficial to the consumers, and in fact,	16:07:24	17	we also have a representative from -- forgive me.	16:10:00
18	Anthem has been temporarily barred from bringing their	16:07:27	18	MR. STEIN: California Reinvestment Coalition.	16:10:03
19	OrthoNet program to California as they have failed to	16:07:31	19	COMMISSIONER JONES: Of course, the California	16:10:05
20	comply with requests made by California Department of	16:07:33	20	Reinvestment Coalition and we do have your written	16:10:06
21	Managed Health Care. Allowing two dysfunctional	16:07:35	21	testimony. And then I think we would finish with	16:10:07
22	programs to combine forces seems like a recipe for	16:07:38	22	Consumers Union, Betsy Imholz is here.	16:10:12
23	disaster.	16:07:42	23	So if we can go in that order, that would be	16:10:15
24	I request that you do not approve the merger	16:07:42	24	wonderful. What I would like to ask is if you can keep	16:10:17
25	between Cigna and Anthem.	16:07:44	25	your testimony to within 5 to 7 minutes. We do have	16:10:20
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1 written testimony from you, and we're certainly eager to	16:10:22	1 that are clearly anti consumers. That's what my	16:12:47
2 receive additional written testimony if you so wish to	16:10:27	2 colleagues on the panel have documented. You don't need	16:12:50
3 provide it, but with that, let me turn the floor over to	16:10:29	3 to go and carefully assess whether or not the market	16:12:53
4 Mr. Balto, and thank you for journeying all the way here	16:10:33	4 share increase is this number or that number. You	16:12:56
5 to California, and we're most interested in hearing your	16:10:36	5 already know they have market power.	16:13:00
6 testimony.	16:10:39	6 Acquiring Cigna will make things worse, but	16:13:03
7 Welcome.	16:10:40	7 the law, Commissioner, is also clear that market share,	16:13:04
8 DAVID BALTO	16:10:42	8 its concerns our even greater where there are other	16:13:09
9 MR. BALTO: Thank you so much, Commissioner.	16:10:40	9 factors, such as, difficulty of entry and a trend to	16:13:12
10 I'm David Balto, and I'm a consumer advocate and former	16:10:42	10 consolidation. The law's crystal clear of that and both	16:13:16
11 policy director of the Federal Trade Commission. I have	16:10:46	11 of those factors are met in California. So even at the	16:13:19
12 testified in the past before the Pennsylvania, Nevada	16:10:49	12 lower concentration levels, you will have substantial	16:13:22
13 Insurance --	16:10:53	13 competitive concerns.	16:13:26
14 COMMISSIONER JONES: Make sure it's green,	16:10:53	14 I want to make a quick point about monopsony,	16:13:29
15 MR. BALTO: Right. I've testified in the past	16:10:55	15 an excellent presentation by Mr. Allen here. Monopsony	16:13:31
16 for the Pennsylvania and Nevada Insurance Commissioners	16:10:56	16 concerns exist at lower market shares than a monopoly	16:13:35
17 before Congress on four occasions on health insurance	16:10:59	17 concern.	16:13:40
18 competition and our coalition has already submitted	16:11:02	18 So, on the monopsony side, even if the market	16:13:41
19 comments in seven states and we applaud you for your	16:11:05	19 shares are relatively low, there can be concerns. If	16:13:44
20 leadership in putting a spotlight on the competitive	16:11:09	20 you are the doctor, the obstetrician in Riverside and	16:13:47
21 affects of the merger.	16:11:10	21 all of a sudden Aetna, which only has 20 percent market	16:13:50
22 Our written testimony documents the reasons	16:11:11	22 shares, significantly lowers your reimbursement rate,	16:13:53
23 why this merger should simply be rejected. I want to	16:11:13	23 you can't make that up by picking up a bunch of Medicaid	16:13:56
24 focus today and sort of transition between the earlier	16:11:17	24 patients or running down and trying to get patients from	16:13:56
25 panel and this panel on three major points, the impact	16:11:20	25 San Diego. That's what the Department of Justice has	16:14:05
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1 on competition and consumers, the efficiencies and the	16:11:24	1 found, that it's even lower levels of concentration,	16:14:06
2 remedies.	16:11:27	2 there are concerns on the monopsony side. That's what	16:14:09
3 On competition and consumers, the market share	16:11:29	3 they decided if found in The United Pacific Care merger.	16:14:12
4 data that Mr. Fulton has presented, it's much worse than	16:11:32	4 You should not leave this panel without understanding	16:14:17
5 you think it is. The data suggests that other states	16:11:36	5 that the concerns of consumers are coincident with the	16:14:19
6 competitive concerns, the efficiencies which have never	16:11:41	6 concerns of providers. This is what Congressman	16:14:23
7 lead to the approval of an anti-competitive merger ever	16:11:44	7 Campbell said. The insurance companies economic	16:14:25
8 in history don't meet the legal requirements and can't	16:11:48	8 incentive is to spend as little as possible on medical	16:14:28
9 outweigh the harms, and there is no way to effectively	16:11:51	9 care, and if there is not sufficient competition among	16:14:31
10 remedy this merger.	16:11:55	10 insurers, that a physician can turn to for another	16:14:34
11 I want to explain an important thing when	16:12:00	11 offer, the doctor no alternative, no choice, but to	16:14:38
12 we're looking at competitive affects. We have heard a	16:12:02	12 lower the quality of care ordered by the insurance	16:14:42
13 lot about market shares, but market shares are just an	16:12:05	13 company. Ultimately when insurance companies possess	16:14:47
14 initial threshold of looking at the competitive affects	16:12:07	14 monopsony power, consumers loss. The quality of care	16:14:50
15 of the merger, and I trust laws and based on the slide	16:12:10	15 goes down.	16:14:53
16 rule -- for those of you sitting in the audience sitting	16:12:10	16 Now, you figured out already that the stake of	16:14:54
17 next to a millennial, please explain what a slide rule	16:12:13	17 this meal is whether or not there are efficiencies that	16:14:57
18 is. It's rather it's an initial screening mechanism.	16:12:21	18 outweigh the competitive harm. Three important concepts	16:15:00
19 There are many other aspects of mergers that raise	16:12:23	19 to keep in mind. The courts have never approved an	16:15:04
20 competitive concerns.	16:12:27	20 anti-competitive merger based on efficiencies.	16:15:06
21 The ultimate question, Commissioner, is	16:12:28	21 Secondly, as you assess these claims of their	16:15:09
22 whether or not a merger will lead to market power.	16:12:31	22 aspirations, remember who you are talking about. I have	16:15:12
23 That's the ability to raise price or engage in reduced	16:12:35	23 never in -- we do this in every state. We're involved	16:15:15
24 services. You already know Anthem has market power. It	16:12:38	24 in every state looking at these mergers, but in no state	16:15:18
25 has the ability to raise price. It engages in practices	16:12:42	25 does Anthem have such a poor record as in the state	16:15:22
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1	California. It's intense. It's carefully documented in	16:15:26	1	This was a case where a dominant hospital	16:18:07
2	the filings by Health Access and Consumers Union.	16:15:29	2	wanted to acquire a physician practice 60 miles away,	16:18:10
3	Allowing them to permit this merger -- permitting this	16:15:33	3	and they said, oh, we have got this really fantastic	16:18:13
4	merger on efficiencies is like letting Jessie James run	16:15:36	4	computer system and the doctors in this distant town	16:18:17
5	the bank.	16:15:40	5	will be able to use this really fantastic computer	16:18:21
6	All you are going to have is the consumers	16:15:41	6	system, and they will be able to integrate our care	16:18:23
7	will lose. Ultimately, the key question, though, is the	16:15:44	7	better because doctors and physicians will be able to	16:18:27
8	effect of consumers. You asked precisely the right	16:15:47	8	work better together and things like that, and the Ninth	16:18:29
9	question. How much of that 2 billion is going to result	16:15:51	9	circuit was explicit. They said the Clayton Act does	16:18:34
10	in lower premiums to consumers? You asked. But the key	16:15:54	10	not excuse mergers that lessen competition simply	16:18:36
11	issue in mergers is efficiencies is whether or not the	16:15:59	11	because they can improve the businesses' operations. If	16:18:39
12	efficiencies are merger specific. Do you need a merger	16:16:03	12	you want to improve your operations, that's what the	16:18:42
13	to go and achieve those efficiencies?	16:16:07	13	capitalist system is based on. Do it by yourself. You	16:18:45
14	Now, what these two companies have basically	16:16:09	14	don't need a merger to do that. That's why their	16:18:49
15	told you is we do this good, they do this good and if we	16:16:11	15	efficiencies don't count.	16:18:53
16	combine, we both can do this good. This is like Google	16:16:15	16	But, finally, if they count, they have to	16:18:54
17	and Samsung coming up to the Justice Department and	16:16:20	17	exceed the competitive harm, and as your expert has	16:18:57
18	saying we need to merge our smart phone businesses	16:16:21	18	documented, you have a prima facie violation of your	16:19:01
19	because we don't know how to go and manage our legal	16:16:24	19	statute and the antitrust statute. They have a	16:19:05
20	expenses good enough, but if we merge them, we'll be	16:16:27	20	substantial burden to overcome to demonstrate that.	16:19:09
21	able to reduce the cost of legal services, which by the	16:16:31	21	Let's turn to the issue of remedy. Now,	16:19:14
22	way, as a lawyer would be something very harmful. You	16:16:33	22	anybody who thinks the Justice department can get remedy	16:19:16
23	don't need to do that. The purpose -- the reason we	16:16:37	23	correct only has to find an airplane and ask themselves,	16:19:19
24	have a capitalist system is that consumers benefit most	16:16:40	24	really, did those divestitures in the United's,	16:19:23
25	when competitors have to roll up their sleeves and	16:16:45	25	Continental and American, U.S. Air, did they really	16:19:28
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1	develop a better mouse trap and if one of these firms	16:16:49	1	benefit us?	16:19:31
2	has a better mouse trap than the other firm, then they	16:16:51	2	Merger divestitures increasingly fail and	16:19:31
3	should compete against each other and come up with a	16:16:54	3	there is a lot of evidence that reasoned divestitures	16:19:34
4	better mouse trap. The crucible of merger efficiency	16:16:56	4	have failed. When it comes to health insurance, we've	16:19:37
5	analysis is whether or not you need that merger to go	16:17:00	5	got studies that have looked at past merger divestitures	16:19:39
6	and achieve those goals. In other words, there is a	16:17:04	6	used by the Justice Department, and they found that	16:19:44
7	certain size in which we can't do this. It's impossible	16:17:06	7	those divestitures failed.	16:19:47
8	for us to do this unless we have so many covered lies,	16:17:11	8	When you look at the Amadicanian	16:19:49
9	unless we have so much clout, so much of this or that.	16:17:15	9	(phonetically) merger where they divested lives in tiny	16:19:52
10	They haven't told you that story. They haven't	16:17:18	10	little towns in Louisiana, 12,700 lives in small towns	16:19:54
11	documented that story to you, and besides, listen	16:17:20	11	in Louisiana, you know, Medicare Advantage lives, two of	16:20:00
12	carefully to their testimony.	16:17:24	12	the three firms failed. One of the firms that acquired	16:20:04
13	What they talked about at the end of the day	16:17:26	13	those divested lives was Cigna. Two of the three firms	16:20:08
14	was providers doing something because they were larger.	16:17:28	14	that acquired the divested lives failed and premiums	16:20:12
15	The crucible, the engine to the benefits that they seek	16:17:33	15	increased significantly.	16:20:15
16	are what providers will do. Those are efficiencies that	16:17:38	16	Now let me ask you, Commissioner, if a	16:20:16
17	come from providers. Those are efficiencies by having	16:17:41	17	divestiture to a bunch of small towns in Louisiana,	16:20:21
18	providers work more effectively together. That's not	16:17:44	18	Texas and Arkansas of 12,700 lives doesn't work, why	16:20:24
19	efficiencies from the insurance companies, and as you	16:17:48	19	should we expect any remedy in California which would	16:20:30
20	pointed out, they're not really merging their two	16:17:50	20	have to involve hundreds of thousands of lives according	16:20:34
21	networks. Those networks will be separate.	16:17:53	21	to Professor Fulton's analysis, why should we expect	16:20:36
22	If there is one case that the Commission needs	16:17:56	22	that divestitures would work? And one more thing to	16:20:40
23	to read is the FTC case against the St. Lukes Hospital	16:17:59	23	keep in mind. A merger forever. There is no divorce	16:20:44
24	merger. If you read it, it will sound a lot like	16:18:03	24	court for mergers. Once Aetna and Cigna merger, that's	16:20:48
25	today's hearing.	16:18:06	25	it, we have to live with that for the rest of our lives.	16:20:54
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1	That's why you should reject this merger.	16:20:57	1	coverage through Medi-Cal or subsidized coverage through	16:23:28
2	COMMISSIONER JONES: Thank you very much,	16:21:01	2	Covered California are limited English proficient. The	16:23:32
3	Mr. Balto.	16:21:02	3	fact that Anthem is not complying with language access	16:23:36
4	Next we'll hear from Miss Ma with Health	16:21:04	4	requirements is a critical indicator that it may not be	16:23:39
5	Access California.	16:21:07	5	providing quality care to all of its enrollees. Anthem	16:23:42
6	Welcome.	16:21:08	6	has also had notoriously inaccurate provider directories	16:23:47
7	TAMEKA MA	16:21:08	7	making it difficult for consumers to know which doctors	16:23:50
8	MS. MA: Thank you.	16:21:08	8	are in network and which doctors are actually accepting	16:23:54
9	Good afternoon, Commissioner. My name is Tam	16:21:09	9	new patients.	16:23:56
10	Ma, and I represent Health Access California, which	16:21:11	10	Last year, the California state auditor found	16:23:58
11	works to ensure that all Californians have access to	16:21:15	11	that 23 percent of the information in Anthem's	16:24:01
12	quality and affordable health care. Anthem has had	16:21:18	12	Medi-Cal's directory for Fresno county to be inaccurate.	16:24:07
13	significant problems abiding by basic consumer	16:21:22	13	Anthem also received a \$250,000 fine for inaccuracies in	16:24:09
14	protections, and it should not be allowed to get bigger	16:21:25	14	the directory for the individual market. These issues	16:24:15
15	unless it is forced to get better. We oppose this	16:21:28	15	leave us wondering whether Anthem actually has adequate	16:24:18
16	merger unless it includes conditions to ensure that	16:21:33	16	provider network for it consumers.	16:24:21
17	consumers get the quality care they are entitled to, and	16:21:35	17	Anthem also has low quality ratings and some	16:24:25
18	that there is a guarantee that Anthem will not proceed	16:21:39	18	key areas, such as, customer service. Both HMO and PPO	16:24:28
19	with unreasonable rate increases. A merger without	16:21:42	19	products received two out of four stars in Covered	16:24:34
20	these conditions is absolutely unacceptable. Your	16:21:46	20	California's quality ratings meeting its score between	16:24:37
21	review of this merger and the resulting findings and	16:21:50	21	the 25th and 50th percentile of all plans.	16:24:40
22	recommendations should place a strong emphasis on	16:21:54	22	Finally, Anthem's Medi-Cal plan has below	16:24:44
23	Anthem's track record of not abiding by basic consumer	16:21:56	23	average quality ratings from the National Committee For	16:24:47
24	protections. It is relevant to look at oversight and	16:21:59	24	Quality Assurance. Consumers and tax payers spend a lot	16:24:50
25	enforcement actions from all California regulators.	16:22:04	25	of money purchasing coverage from Anthem and they should	16:24:54
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1	Because problems that are present in one line of	16:22:06	1	not have to settle for less than average quality. Given	16:24:57
2	business are likely to manifest themselves across the	16:22:09	2	these deficiencies, we do not think Anthem should be	16:25:01
3	company.	16:22:12	3	allowed to get bigger unless it cleans up its act before	16:25:03
4	I am going to focus my remarks on some of the	16:22:14	4	this deal closes. And as you alluded to earlier, Anthem	16:25:07
5	challenges that consumers have with Anthem starting with	16:22:16	5	has had a record of proceeding with rates increases that	16:25:13
6	its grievance systems.	16:22:20	6	are found to be unreasonable by state regulators, and as	16:25:16
7	In Anthem's most routine -- most recent	16:22:22	7	other panelists have testified today have mentioned	16:25:21
8	routine survey at the Department of Managed Health Care.	16:22:25	8	studies have shown that insurer mergers have lead to	16:25:25
9	Five out of the seven major decisions he found are	16:22:27	9	premium increases even as insurers that have larger	16:25:27
10	rooted and it's poor handling of grievances. The DMHC	16:22:31	10	market share get lower -- are able to get lower rates	16:25:31
11	found that consumer complaints were not adequately	16:22:35	11	from providers. Despite this, we have a lot of concerns	16:25:35
12	investigated or resolved because Anthem misclassified	16:22:38	12	about Anthem and their -- excuse me. We have -- we're	16:25:40
13	them as inquiries instead of grievances.	16:22:42	13	very skeptical about this merger in the interest of	16:25:49
14	In addition, Anthem does not always do its due	16:22:46	14	consumers because they think with the greater market	16:25:50
15	diligence when reviewing complaints. As a result,	16:22:49	15	share that Anthem will have as a result of this merger	16:25:53
16	critical facts or solutions were overlooked leaving	16:22:53	16	that they will continue to pursue unreasonable rate	16:25:54
17	consumers without needed medications or stuck with bills	16:22:56	17	increases, and we strongly urge that any approval of	16:25:57
18	that they should not have to pay.	16:22:59	18	this merger included a condition that requires them to	16:26:01
19	Anthem has also failed to provide its	16:23:04	19	not proceed with unreasonable rate increases, and if	16:26:03
20	consumers with language assistance as it is obliged to	16:23:07	20	they cannot commit to that, then this merger must be	16:26:06
21	do under the law. Anthem has not assessed the needs of	16:23:12	21	blocked.	16:26:10
22	language needs of its current enrollees. As a result	16:23:15	22	We concur with the concerns raised by other	16:26:11
23	some patients are unable to communicate with their	16:23:19	23	witnesses today about how this merger will increase	16:26:13
24	providers. These issues are particularly important in	16:23:21	24	concentration and limit competition in every segment of	16:26:16
25	California because 40 percent of consumers who receive	16:23:24	25	California's commercial market, which is already highly	16:26:20
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1 concentrated. And according to an analysis by Catana	16:26:22	1 but if this merger is approved, Anthem will leapfrog	16:28:44
2 and Stroud, a merger between Anthem and Cigna is likely	16:26:28	2 Kaiser in California, if you look at the entire market	16:28:48
3 to reduce competition in 31 counties, and others -- as	16:26:30	3 to become the largest insurer in the state. It will	16:28:50
4 others have mentioned this merger also has a significant	16:26:34	4 leapfrog United Health Care in the nation to become the	16:28:55
5 impact on the ASO market.	16:26:38	5 largest insurance company in the nation and make no	16:28:55
6 According to a study in the Health Affairs	16:26:41	6 mistake that \$115 billion in annual revenue that Anthem	16:28:59
7 Journal California is one of five states that will see	16:26:43	7 anticipates is what they're touting to Wall Street	16:29:06
8 the biggest increase in ASO market concentration, which	16:26:46	8 investors. That's what they're focused on in this	16:29:09
9 is projected to increase by 39 percent. The	16:26:50	9 circumstance.	16:29:12
10 anti-competitive affects of this merger coupled with	16:26:54	10 If Anthem and Cigna merge here in California,	16:29:13
11 Anthem's poor track record makes it really highly likely	16:26:57	11 they'll eliminate our fifth largest player. They create	16:29:16
12 that quality will continue to go down while prices will	16:27:02	12 as many as said before a near monopoly in the large	16:29:19
13 continue to go up. That is why we have asked regulators	16:27:05	13 insurer market. We can argue about the numbers, but	16:29:23
14 to impose strong, enforceable conditions to ensure that	16:27:08	14 doubling Anthem's market share and giving it over	16:29:25
15 consumers will actually benefit in the form of lower	16:27:12	15 50 percent of the market, whether it's 60 or 70, will	16:29:29
16 premiums, lower out-of-pocket costs, higher quality	16:27:15	16 clearly give it market power and will harm nearly every	16:29:32
17 care, and reduced health disparities.	16:27:18	17 metro area in California by increasing Anthem's market	16:29:38
18 In closing we respectfully ask you to include	16:27:22	18 share when we look at, both, the academic and the AMA	16:29:42
19 in your report a thorough assessment of Anthem's track	16:27:24	19 studies.	16:29:45
20 record on consumer protection and unreasonable rate	16:27:27	20 What we don't have is any proof from Anthem	16:29:46
21 increases, along with the recommendations for conditions	16:27:30	21 either today or in their previous statements of concrete	16:29:48
22 that must be included in order for this deal to bring	16:27:33	22 benefits to consumers of this merger, and that's why	16:29:52
23 any benefit to consumers.	16:27:36	23 Consumer Watchdog believes this merger is where the	16:29:56
24 We thank you for holding this hearing and for	16:27:38	24 Department of Insurance needs to draw a line in the	16:29:59
25 allowing consumer advocates and members of the public to	16:27:40	25 sand. To say that California's market is concentrated	16:30:01
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1 share our comments, and I also have a question for	16:27:44	1 as it needs to be, and -- and reject the Anthem merger.	16:30:05
2 Anthem.	16:27:47	2 We've talked about the fact that consumers are already	16:30:11
3 And may I ask it at this time?	16:27:48	3 hurting on cost. Anthem imposed unjustified rate	16:30:14
4 COMMISSIONER JONES: No. What I think I would	16:27:50	4 increases in California.	16:30:14
5 like to do is get through all the testimony, and then if	16:27:53	5 In January, a survey of all Americans found	16:30:21
6 you have a question, I understand that Miss Imholz may	16:27:58	6 that 20 percent of consumers still can't afford their	16:30:23
7 have a question, and then we can pose that question at	16:28:01	7 medical costs even though they're insured. Consumers	16:30:25
8 that time.	16:28:03	8 are hurting on costs. Consumers are hurting on quality,	16:30:29
9 Great.	16:28:04	9 and Health Access just listed a host of examples where	16:30:33
10 MS. MA: Thank you.	16:28:05	10 Anthem is a key problem in that regard, and I think	16:30:36
11 COMMISSIONER JONES: Wonderful. Thank you,	16:28:05	11 we'll see some of the other troubling claims and service	16:30:42
12 Miss Ma, and I also want to note that you're joined by	16:28:07	12 issues later.	16:30:45
13 your very able executive director, Mr. Anthony Wright,	16:28:11	13 Nothing Anthem said today has given us any	16:30:46
14 and we're delighted to have both of you here and we	16:28:14	14 indication of how Anthem or Cigna merged will make those	16:30:50
15 really appreciate the thoroughness of your written	16:28:17	15 costs and qualities service issues better. The history	16:30:53
16 testimony and your verbal testimony as well.	16:28:21	16 of health insurance mergers is not one of consumer	16:30:57
17 Thank you.	16:28:22	17 improvement. We've all talked about studies that have	16:31:02
18 Next I would like to go to the executive	16:28:24	18 shown reductions in services, reductions in benefits,	16:31:04
19 director Consumer Watchdog, Miss Carmen Balber.	16:28:26	19 cut jobs in wages, no proof of quality improvements. In	16:31:09
20 Welcome.	16:28:30	20 fact, quality reduction in health insurance mergers in	16:31:14
21 CARMEN BALBER	16:28:36	21 the past and California has a very illustrative example,	16:31:16
22 MS. BALBER: Thank you.	16:28:38	22 which is the last time Anthem tried to merge with	16:31:20
23 And as Insurance Commissioner Jones said, my	16:28:32	23 someone in California, back in 2004.	16:31:22
24 name is Carmen Balber with Consumer Watchdog. We've	16:28:36	24 In 2004, Anthem and Wellpoint merged and at	16:31:24
25 spoken about this a lot today about the size and reach,	16:28:40	25 the time, that Insurance Commissioner Garamendi rejected	16:31:28
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35 (Pages 134 to 137)

1 the deal initially, and he rejected that deal for many	16 : 31 : 31	1 The self-insured market if you trust the California	16 : 34 : 19
2 reasons. One of those reasons was obscene executive	16 : 31 : 34	2 health care foundation numbers, which we do, is about	16 : 34 : 22
3 compensation package that was rumored to be as high as	16 : 31 : 39	3 20 percent of insured Californians, and giving Anthem 60	16 : 34 : 26
4 \$600 million, and because of the large amount of money	16 : 31 : 42	4 or 70 percent control of that market essentially gives	16 : 34 : 31
5 that Anthem habitually upstreams out of California,	16 : 31 : 48	5 them bullying power over approximately 6 million	16 : 34 : 35
6 California policyholder dollars to the parent company.	16 : 31 : 52	6 employees of large employers in California. Prices will	16 : 34 : 39
7 He was concerned that even though the merged company	16 : 31 : 55	7 inevitably go up for this group of employers, because	16 : 34 : 43
8 said they wouldn't finance the merger on California	16 : 31 : 58	8 they'll have less ability to shop around and eventually	16 : 34 : 45
9 policyholder's back, that all of that money that they	16 : 32 : 03	9 Anthem could decide to use its market power actively to	16 : 34 : 49
10 are upstreaming out of the state would cover those costs	16 : 32 : 06	10 undercut its competitors, which it could do with such a	16 : 34 : 54
11 anyway. He did eventually approve the merger. He set	16 : 32 : 08	11 large share of the market and monopolize the market	16 : 34 : 57
12 really strict at the time consumer protection conditions	16 : 32 : 11	12 entirely, a problem for California consumers and	16 : 35 : 01
13 say, okay, we'll approve this merger, but you have to	16 : 32 : 14	13 employers, and the last bit is the various iterations of	16 : 35 : 04
14 abide by these guidelines. It was a reduced executive	16 : 32 : 16	14 the DOJ and FTC merger guidelines of how this is going	16 : 35 : 11
15 compensation package, although, it ended up being	16 : 32 : 20	15 to seriously impact consumers in various areas around	16 : 35 : 14
16 accepted nonetheless, restrictions on Anthem's	16 : 32 : 23	16 the state. I will just add one piece to that, which is	16 : 35 : 18
17 underwriting practices. So trying to reign in some	16 : 32 : 26	17 that if you combine all those areas where we should have	16 : 35 : 22
18 other black listing or sicker patients at the time	16 : 32 : 28	18 significant concerns, because this merger between Anthem	16 : 35 : 26
19 which, of course, was still legal then. They had to	16 : 32 : 30	19 and Cigna will result in likely increases in Anthem's	16 : 35 : 30
20 donate hundreds of million dollars to state health	16 : 32 : 32	20 market power, it amounts to 33.3 million Californians.	16 : 35 : 35
21 programs and they agreed that California customers	16 : 32 : 36	21 That's 85 percent of the state. That is Los Angeles,	16 : 35 : 40
22 wouldn't pay for the merger through higher rates.	16 : 32 : 38	22 San Diego, Orange County, Bay Area, Sacramento,	16 : 35 : 44
23 Nevertheless, over the next decade, and we've	16 : 32 : 42	23 basically everywhere but portions of the Central Valley	16 : 35 : 47
24 looked at this through Anthem's 2014 annual report,	16 : 32 : 44	24 and the counties north of here. So everyone in	16 : 35 : 50
25 Anthem in California has sent \$5.4 billion in California	16 : 32 : 47	25 California will be impacted if this merger were to go	16 : 35 : 56
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1 policyholder money to its parent company, and at the	16 : 32 : 52	1 through and everyone should be concerned. Because of	16 : 35 : 58
2 same time as all these billions of dollars were leaving	16 : 32 : 56	2 all this we don't believe there are enough concessions	16 : 36 : 01
3 the state, yearly California policyholders have	16 : 33 : 00	3 in the world that you can dream up or that Anthem would	16 : 36 : 04
4 experienced rate increase after rate increase usually in	16 : 33 : 04	4 agree to, to make this merger protect consumers, which	16 : 36 : 07
5 the double digits and often unjustified. We all	16 : 33 : 07	5 is why we urge you to reject it.	16 : 36 : 11
6 remember the 39 percent rate increase that Anthem	16 : 33 : 10	6 COMMISSIONER JONES: Thank you very much, and	16 : 36 : 13
7 proposed that kick started the Affordable Care Act,	16 : 33 : 14	7 I appreciate your journeying from Santa Monica to attend	16 : 36 : 14
8 which we are probably all glad in retrospect they tried	16 : 33 : 15	8 the hearing, and thank you for the thoroughness of your	16 : 36 : 19
9 to impose that rate increase, but generally they're not	16 : 33 : 17	9 testimony as well.	16 : 36 : 21
10 a good thing for consumers, and of course we have	16 : 33 : 20	10 Next we'll have an opportunity to hear from	16 : 36 : 23
11 already mentioned the unjustified rate increases that	16 : 33 : 22	11 the Greenlining Institute.	16 : 36 : 26
12 both the Commissioner and the Director of the DMHC found	16 : 33 : 26	12 Welcome.	16 : 36 : 26
13 to be unreasonable that Anthem put forward anyway.	16 : 33 : 30	13 ANTHONY GALACE	16 : 36 : 26
14 Just since 2013, those unreasonable rate	16 : 33 : 33	14 MR. GALACE: Thank you so much, Commissioner	16 : 36 : 27
15 increases have amounted to \$145 million in California.	16 : 33 : 37	15 Jones. My name is Anthony Galace. I'm the director of	16 : 36 : 28
16 A merger which has extensive financing costs	16 : 33 : 44	16 health policy at the Greenlining Institute, and we're a	16 : 36 : 30
17 only increases the need of the company to upstream more	16 : 33 : 47	17 statewide, multi-ethnic policy organization committed to	16 : 36 : 33
18 money to the parent company, and I would imagine now	16 : 33 : 51	18 achieving racial and economic justice. Communities of	16 : 36 : 36
19 coincidentally raise rates in California.	16 : 33 : 56	19 color have experienced health and economic progress due	16 : 36 : 39
20 Most of the rest what I was going to touch on	16 : 34 : 01	20 to the Affordable Care Act; however barriers still exist	16 : 36 : 43
21 was really has been said, the concentration in the	16 : 34 : 03	21 and the proposed merger between Anthem and Cigna	16 : 36 : 46
22 market here in California. The fact that self-insured	16 : 34 : 06	22 threatens to perpetuate systemic inequities, limited	16 : 36 : 49
23 large employers will have so many fewer options. Maybe	16 : 34 : 13	23 provider networks rising premiums, and substandard	16 : 36 : 53
24 the important thing there to note is that most	16 : 34 : 14	24 quality of care outline just a few of our concerns. I	16 : 36 : 56
25 Californians get their insurance from their employer.	16 : 34 : 17	25 urge the Department of Insurance to reject this merger	16 : 36 : 59
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1	until adequate agreements are in place to address the	16 : 37 : 03	1	health and wealth disparities and promote health equity.	16 : 39 : 36
2	needs of communities of color who make up a majority of	16 : 37 : 06	2	I urge the Department of Insurance to oppose	16 : 39 : 39
3	the state's population and by virtue the majority of the	16 : 37 : 06	3	this merger until strong diversity and inclusion	16 : 39 : 42
4	state's patients as well.	16 : 37 : 14	4	requirements are in place in order to ensure fair and	16 : 39 : 45
5	First, in order to most effectively meet the	16 : 37 : 14	5	equitable benefits for all Californians, and as Tam	16 : 39 : 48
6	needs of their consumers, Anthem must adopt best	16 : 37 : 17	6	mentioned, if there is an opportunity to ask questions,	16 : 39 : 52
7	practices that acknowledge the dire need of diversity at	16 : 37 : 20	7	I would love to do that at the end of this session as	16 : 39 : 53
8	all levels, especially among senior and board level	16 : 37 : 23	8	well.	16 : 39 : 57
9	management.	16 : 37 : 27	9	COMMISSIONER JONES: Thank you. I appreciate	16 : 39 : 57
10	Currently, there is a severe lack of diversity	16 : 37 : 27	10	your testimony as well.	16 : 39 : 57
11	among the senior decision makers for both organizations	16 : 37 : 30	11	Next, we'll have a chance to hear from the	16 : 40 : 00
12	and neither can adequately serve Californians unless	16 : 37 : 32	12	California Reinvestment Coalition.	16 : 40 : 02
13	they reflect the populations that they serve.	16 : 37 : 36	13	Welcome.	16 : 40 : 06
14	Additionally, Anthem must do more to drive	16 : 37 : 39	14	KEVIN STEIN	16 : 40 : 08
15	economic development especially in underserved	16 : 37 : 42	15	MR. STEIN: Thank you, Commissioner. My name	16 : 40 : 07
16	communities. As an anchor institution seeking to expand	16 : 37 : 46	16	is Kevin Stein. I'm with the California Reinvestment	16 : 40 : 08
17	its influence over the market, Anthem has an obligation	16 : 37 : 50	17	Coalition. We are a statewide advocacy coalition of 300	16 : 40 : 11
18	to prop up the community they depend on. Specifically,	16 : 37 : 51	18	non-profits throughout California working to increase	16 : 40 : 17
19	Anthem must commit to building its network with small	16 : 37 : 55	19	access to investment for low and moderate income	16 : 40 : 20
20	minority owned businesses, which are a key engine of	16 : 37 : 57	20	communities and communities of color throughout the	16 : 40 : 22
21	economic development for communities of color. An	16 : 38 : 00	21	state.	16 : 40 : 24
22	inclusive procurement needs to be a central requirement	16 : 38 : 03	22	We expect that a number of our members will	16 : 40 : 25
23	for this merger. Anthem's record of supplier diversity	16 : 38 : 07	23	sign on to comments that will submit by Friday, and	16 : 40 : 27
24	can also improve.	16 : 38 : 12	24	forgive me, but I just -- I can't help but wondering	16 : 40 : 31
25	According to the Department of Insurance's	16 : 38 : 14	25	what the \$23 of vendor spend was for. I do want to	16 : 40 : 33
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1	2015 insurer supplier diversity survey, Anthem more than	16 : 38 : 15	1	thank the Commissioner, the Deputy Commissioner and	16 : 40 : 38
2	doubled its supplier diversity investments from 2013 to	16 : 38 : 21	2	staff for holding this hearing. I don't think you	16 : 40 : 41
3	2014; however, they spent nearly \$1 million less with	16 : 38 : 23	3	needed to do it, and for giving us all the opportunity	16 : 40 : 42
4	partnerships with African-American and Latino	16 : 38 : 27	4	to testify. While we understand that this process may	16 : 40 : 46
5	businesses. This trend signifies a step in the wrong	16 : 38 : 30	5	be different, and there are continuing concerns about	16 : 40 : 50
6	direction and one that has important consequences to the	16 : 38 : 34	6	these big insurance company mergers, we do want to	16 : 40 : 53
7	health of communities of color given the direct link	16 : 38 : 36	7	commend the Commissioner and the Department for some of	16 : 40 : 57
8	between health and wealth. Cigna, on the other hand,	16 : 38 : 39	8	the undertakings in the recent Santine Health Net	16 : 41 : 00
9	has made almost no effort to prioritize supplier	16 : 38 : 42	9	mergers, and specifically, that's \$30 million of	16 : 41 : 03
10	diversity.	16 : 38 : 42	10	commitment to coin-related investments focusing on	16 : 41 : 07
11	From 2013 to 2014 their investments in diverse	16 : 38 : 46	11	health care facilities and services for low and moderate	16 : 41 : 10
12	business barely increased from 0.37 percent to	16 : 38 : 49	12	income people and neighborhoods and \$200 million in	16 : 41 : 13
13	0.60 percent. Moreover, their investments in	16 : 38 : 55	13	investments to support job creation relating to the	16 : 41 : 16
14	African-American businesses decreased with a dismal \$301	16 : 38 : 58	14	health care industry in an economically distressed	16 : 41 : 19
15	in 2013, to a mere \$23 in 2014. California represents	16 : 39 : 03	15	community within the state, which would include	16 : 41 : 22
16	the largest market for minority-owned businesses, so	16 : 39 : 08	16	approximately 300 jobs in the development of a	16 : 41 : 26
17	this record is unacceptable.	16 : 39 : 12	17	multi-building service center.	16 : 41 : 29
18	If this merger proceeds without a clear	16 : 39 : 14	18	We urge you to use your full authority and	16 : 41 : 31
19	commitment to improving health and economic outcomes for	16 : 39 : 16	19	good offices to, likewise, ensure that this merger to	16 : 41 : 36
20	communities of color, then California will continue to	16 : 39 : 19	20	the extent it can would meet the various health related	16 : 41 : 37
21	suffer from systemic barriers that have left such	16 : 39 : 21	21	needs of California policyholders and communities.	16 : 41 : 40
22	blatant health and wealth disparities. If Anthem and	16 : 39 : 24	22	You have heard from a number of folks today,	16 : 41 : 44
23	Cigna are truly committed to serving communities of	16 : 39 : 27	23	including researchers, the providers and colleagues from	16 : 41 : 48
24	color, we are confident a robust partnership with	16 : 39 : 30	24	community and consumer groups regarding a number of	16 : 41 : 52
25	consumer and advocacy organizations can bridge these	16 : 39 : 35	25	concerns relating to these two companies and the impacts	16 : 41 : 55
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1 that they're having on California policyholders. I find	16 : 41 : 58	1 Our primary question here is whether these	16 : 44 : 44
2 the testimony very compelling and disturbing. We	16 : 42 : 03	2 companies will commit to substantially participate in	16 : 44 : 46
3 support the concerns that have been raised. At the same	16 : 42 : 08	3 the state coin CDFI tax credit program, and other	16 : 44 : 50
4 time I just want to highlight a different perspective on	16 : 42 : 12	4 programs so as to make safe and sound investments that	16 : 44 : 54
5 concerns relating to the merger, and that specifically	16 : 42 : 16	5 will also contribute to the state's effort to meet	16 : 44 : 58
6 is the extent to which the companies are impacting	16 : 42 : 19	6 critical affordable housing, job creation and other	16 : 45 : 00
7 communities in the form of their investments, and in	16 : 42 : 22	7 crucial needs.	16 : 45 : 03
8 particular, we find these companies are not doing a	16 : 42 : 26	8 As noted earlier, Health Net Santine, which we	16 : 45 : 04
9 sufficient job in investing in vehicles and projects	16 : 42 : 29	9 estimate to have about one-fifth the premiums of	16 : 45 : 09
10 that help meet the state's affordable housing and	16 : 42 : 32	10 Anthem-Cigna made \$230 million jobs community investment	16 : 45 : 12
11 community development needs.	16 : 42 : 35	11 commitment. Does Anthem and Cigna feel that they should	16 : 45 : 19
12 The needs in our state are tremendous. Our	16 : 42 : 37	12 do any less by California?	16 : 45 : 22
13 state is in the midst of a profound affordable housing	16 : 42 : 40	13 In conclusion, we urge the companies to make a	16 : 45 : 23
14 crisis according to the California Housing Partnership	16 : 42 : 40	14 significant commitment to invest in health services in	16 : 45 : 28
15 Corporation. The state's shortfall of 1.5 million	16 : 42 : 46	15 California, and to hire investment managers that have	16 : 45 : 33
16 rental homes for extremely low income and very low	16 : 42 : 50	16 experience with and a deep understanding of the	16 : 45 : 37
17 income rent for households contribute substantially to	16 : 42 : 53	17 affordable housing and community development	16 : 45 : 37
18 California's 22 percent poverty rate, the highest	16 : 42 : 56	18 infrastructure in our state.	16 : 45 : 43
19 poverty rate any state in the nation. We do believe	16 : 43 : 01	19 In the absence of such substantial commitment,	16 : 45 : 44
20 that state affordable housing is directly connected to	16 : 43 : 04	20 and in the absence of further undertakings that address	16 : 45 : 47
21 positive health outcomes as a large body of research	16 : 43 : 08	21 the other concerns that have been raised during this	16 : 45 : 50
22 confirms, and we have some of this in our written	16 : 43 : 12	22 hearing, we urge you to reject the merger.	16 : 45 : 52
23 testimony.	16 : 43 : 15	23 Thank you.	16 : 45 : 54
24 Both Mr. Wagner and Mr. Richards noted in	16 : 43 : 16	24 COMMISSIONER JONES: Thank you very much,	16 : 45 : 55
25 their comments and commitment to improving health	16 : 43 : 19	25 Mr. Stein. Thanks for your leadership and your time	16 : 45 : 56
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1 outcomes for their customers. This is an easy way to do	16 : 43 : 22	1 today and your very thoughtful testimony. We look	16 : 46 : 00
2 that, with the billions in revenue and in investments	16 : 43 : 26	2 forward to getting a written testimony as well.	16 : 46 : 01
3 that they have available, and perhaps this could be a	16 : 43 : 29	3 Next we'll have a chance to hear from Betsy	16 : 46 : 04
4 form of the value-based approach to health care	16 : 43 : 32	4 Imholz with Consumer Union.	16 : 46 : 07
5 provision in the context of investments.	16 : 43 : 35	5 Welcome.	16 : 46 : 07
6 We note that the Department of Insurance	16 : 43 : 38	6 ELIZABETH IMHOLZ	16 : 46 : 07
7 through the coin program provides the ready-made pathway	16 : 43 : 41	7 MS. IMHOLZ: Good afternoon.	16 : 46 : 09
8 for insurance companies to make safe and sound	16 : 43 : 44	8 I'm Elizabeth Imholz, special projects	16 : 46 : 11
9 investments that also help address California's critical	16 : 43 : 47	9 director for Consumers Union, the policy and advocacy	16 : 46 : 15
10 housing and other community development needs and that	16 : 43 : 49	10 division of non-profit consumer reports. We're a	16 : 46 : 18
11 lead to improved health outcomes, but what are these	16 : 43 : 52	11 national organization, also, advocating for consumers	16 : 46 : 21
12 companies doing relating to helping to meet that need,	16 : 43 : 56	12 here in California for the past 40 years.	16 : 46 : 24
13 according to the department data available on its	16 : 44 : 00	13 Thank you for the opportunity to comment on	16 : 46 : 27
14 Website, neither company appears to have ever	16 : 44 : 03	14 this \$54 billion transaction. This deal far exceeds the	16 : 46 : 28
15 participated in the state coin CDFI credit program and	16 : 44 : 06	15 scale of the other pending and the concluded insurance	16 : 46 : 33
16 this is going all the way back to 1997 when the program	16 : 44 : 11	16 mergers here in California, and as wholly different	16 : 46 : 36
17 began.	16 : 44 : 15	17 character, rather than enhance competition or keep a	16 : 46 : 40
18 In the past, the companies have reported some	16 : 44 : 15	18 flagging insurer alive, this one would give a tightened,	16 : 46 : 43
19 high impact holding and/or coin qualified holdings, but	16 : 44 : 18	19 even greater market power.	16 : 46 : 46
20 to the extent to which Anthem or Cigna have made any	16 : 44 : 23	20 Experts for Department of Managed Health Care	16 : 46 : 49
21 such double bottom line investments since 2012, the last	16 : 44 : 26	21 have been mentioned who analyze the affects on the HMO	16 : 46 : 51
22 date for which date is available is unclear.	16 : 44 : 31	22 market found that it would reduce competition in 31	16 : 46 : 54
23 We urge the Commissioner to consider the data	16 : 44 : 35	23 California counties, and we have heard other compelling	16 : 46 : 58
24 made available through a recent data call before	16 : 44 : 38	24 analysis on the antitrust implications from Professor	16 : 47 : 01
25 determining his recommendations on this merger.	16 : 44 : 41	25 Fulton and Mr. Balto.	16 : 47 : 04
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1	Clearly, the proposed merger would benefit	16 : 47 : 07	1	problematic is Anthem's Blue Cross of California	16 : 49 : 41
2	Anthem and Cigna, but it's not apparent after a day of	16 : 47 : 09	2	partnership plan for Medi-Cal. It rated in the bottom	16 : 49 : 44
3	testimony here that it would benefit consumers in any	16 : 47 : 12	3	quarter of all NCQA rank Medicaid plans nationally.	16 : 49 : 48
4	way. I'll try not to duplicate what's been said	16 : 47 : 15	4	That's 101 out of 136, and its customer satisfaction	16 : 49 : 52
5	already, because a lot has been said, but our concerns	16 : 47 : 19	5	rating for California was the lowest possible score, one	16 : 49 : 57
6	fall into three buckets. The first and foremost is the	16 : 47 : 22	6	out of a possible five, and in fact the majority of	16 : 50 : 00
7	risk and likelihood of increased prices -- premium	16 : 47 : 24	7	individual measures under that consumer satisfaction	16 : 50 : 04
8	prices for consumers.	16 : 47 : 28	8	heading also got the same lowest score, one.	16 : 50 : 07
9	Evidence shows these mergers generally result	16 : 47 : 29	9	In both 2013 and 2014, Anthem enrollees in	16 : 50 : 11
10	in these increases as Professor Daphney has stated.	16 : 47 : 31	10	California made more requests for independent medical	16 : 50 : 15
11	Even if a bigger and more powerful Anthem squeezes out	16 : 47 : 35	11	review of its decisions about care than any enrollees in	16 : 50 : 17
12	some inefficiencies, there is little incentive for	16 : 47 : 39	12	any of the large plans, and in 2014, Anthem also has the	16 : 50 : 22
13	Anthem to pass along the savings to policyholders. In	16 : 47 : 41	13	highest rate of complaints to the Department of Managed	16 : 50 : 27
14	fact, we have heard a reluctance to commit to that. In	16 : 47 : 45	14	Health Care regarding access out of all the large plans.	16 : 50 : 28
15	fact, Anthem's history in California suggests that it	16 : 47 : 49	15	The third bucket of our concerns is about data security,	16 : 50 : 32
16	would be unlikely to pass along these savings if the	16 : 47 : 51	16	which has not been brought up today. We think that	16 : 50 : 35
17	merger is approved.	16 : 47 : 51	17	consumer protection privacy protection is a major	16 : 50 : 38
18	We all know that in 2010, Anthem's proposed	16 : 47 : 56	18	weakness for Anthem. Last year Anthem disclosed that in	16 : 50 : 44
19	average increased in the individual market of 25 percent	16 : 47 : 59	19	2014 it experienced a breach affecting some 80 million	16 : 50 : 46
20	up to 69 percent for other consumers was the lightning	16 : 48 : 02	20	policyholders. That's the size of the entire population	16 : 50 : 51
21	bolt that really sparked the enactment of the Affordable	16 : 48 : 06	21	of Germany by the way. This affected not just Anthem's	16 : 50 : 54
22	Care Act. Anthem clung to that proposed increase until	16 : 48 : 10	22	policyholders and its plans across the country, but also	16 : 50 : 58
23	an independent actuary hired by the California	16 : 48 : 12	23	42 non-Anthem plans, with which Anthem was intertwined	16 : 51 : 00
24	Department of Insurance found substantial mathematical	16 : 48 : 14	24	through business-associate agreements and experts have	16 : 51 : 05
25	errors there with an overstated medical trend, and of	16 : 48 : 17	25	opined that Anthem was a likely target for hackers	16 : 51 : 08
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1	course the unlawful rescissions from 2008 to '10, resulted	16 : 48 : 21	1	because it's been slow to adopt measures to protect	16 : 51 : 11
2	in enforcement actions as well and \$15 million or more	16 : 48 : 26	2	consumers' data. As a result, policyholders, names,	16 : 51 : 13
3	in fines by California regulators. Commenting on some	16 : 48 : 30	3	birthdays, social security numbers and employment and	16 : 51 : 17
4	filings from last year, Consumers Union noted in filing	16 : 48 : 34	4	income information -- a lot personal information were	16 : 51 : 20
5	some inflated medical trend and pharmaceutical trend	16 : 48 : 37	5	hacked into. So, the implications of this merger are	16 : 51 : 23
6	information far in excess of its competitors, and we've	16 : 48 : 41	6	far reaching beyond Anthem's particular California	16 : 51 : 26
7	already alluded to the Department's own finding that	16 : 48 : 44	7	enrollees.	16 : 51 : 28
8	some of the rates in the non-grandfathered -- the	16 : 48 : 47	8	Also, potentially affecting the privacies of	16 : 51 : 30
9	grandfathered -- sorry -- individual plans were	16 : 48 : 53	9	consumers and plans, which it has administrative service	16 : 51 : 32
10	unjustified, and yet Anthem refused to moderate those	16 : 48 : 54	10	contracts related to the prior line of questioning today	16 : 51 : 35
11	increases. So with this record, it seems to us unlikely	16 : 48 : 58	11	about ASOs.	16 : 51 : 38
12	that an even larger Anthem would have on its own accord	16 : 49 : 01	12	In conclusion, antitrust experience in common	16 : 51 : 41
13	pass along savings to consumers unless compelled to do	16 : 49 : 03	13	sense suggest that an even larger Anthem will be less,	16 : 51 : 44
14	so.	16 : 49 : 06	14	not more motivated to innovate to improve quality and to	16 : 51 : 48
15	And earlier today we did hear about the	16 : 49 : 07	15	pass along savings to consumers, since it will have	16 : 51 : 51
16	\$2 billion in expected synergies and increased earnings	16 : 49 : 08	16	fewer competitors for customers.	16 : 51 : 55
17	per share, but an unwillingness to commit to keeping	16 : 49 : 12	17	Consumers Union, thus, urges the state give	16 : 51 : 57
18	premiums down.	16 : 49 : 16	18	the closest scrutiny to this transaction. As federal	16 : 52 : 00
19	The second category of concerns for Consumers	16 : 49 : 17	19	and state antitrust investigations continue, it may well	16 : 52 : 03
20	Union is quality. The record is detailed in my written	16 : 49 : 20	20	be that this deal will be blocked. If it's not, we	16 : 52 : 05
21	testimony, so I won't throw a lot of numbers this late	16 : 49 : 23	21	insist that the state extract concrete, enforceable	16 : 52 : 09
22	in the day. But, on the NCQA health plan ratings, I	16 : 49 : 25	22	assurances that the marketplace will be improved by	16 : 52 : 13
23	would just pull out a couple of nuggets. Cigna's HMO	16 : 49 : 30	23	consumers. My written testimony includes many	16 : 52 : 16
24	scored two out of ten -- two out of five rather, for	16 : 49 : 34	24	recommended undertakings. I'll just put out three. The	16 : 52 : 18
25	consumer satisfaction as did Anthem's HMO. Especially	16 : 49 : 36	25	first is rate stabilization insuring that Anthem won't	16 : 52 : 22
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1 go forward with rate increases that regulators deem	16:52:26	1 medical provider panel, the consumer panel, you're	16:55:30
2 unjustified, and that savings of a particular amount are	16:52:29	2 certainly invited to do so.	16:55:36
3 passed through consumers in the form of lower premiums	16:52:34	3 Let me try to get a read on what a reasonable	16:55:38
4 or cost sharing, rather than transformed into profits	16:52:36	4 period of time might be to accomplish that, because I	16:55:43
5 and excess reserves or dividends. While these wouldn't	16:52:39	5 know that both Anthem and Cigna are eager to get	16:55:48
6 replace the protection provided by effective	16:52:43	6 decisions from various regulators, and I feel some	16:55:53
7 competition, it would help at least alleviate some of	16:52:47	7 urgency to make a decision.	16:56:00
8 the potential accesses. Secondly, we urge holding them	16:52:49	8 So how much time would Anthem and Cigna need	16:56:02
9 accountable for improved quality and consumer	16:52:54	9 to take up that invitation?	16:56:04
10 satisfaction ratings for all products, but particularly,	16:52:56	10 MR. DANILSON: We'll have to get back to you	16:56:09
11 important in the problematic Medi-Cal product in	16:52:59	11 on that, Commissioner.	16:56:13
12 California. And third, that it improve and enter	16:53:02	12 COMMISSIONER JONES: The public comment period	16:56:17
13 underserved regions in the state to foster access at	16:53:08	13 is open until Friday. If you can accomplish it by	16:56:18
14 competitive prices.	16:53:11	14 Friday, that would be most appreciative. If you need	16:56:23
15 We note that Anthem's commercial HMOs do not	16:53:13	15 additional time, I'm happy to entertain that as well. I	16:56:28
16 currently serve at least 17 counties in California,	16:53:16	16 recognize, though, that the point you made is one of not	16:56:29
17 mainly in the north and the eastern rural regions.	16:53:21	17 having had an opportunity to respond in full, and I want	16:56:33
18 We appreciate your holding this public forum	16:53:22	18 to give you that opportunity subject to some reasonable	16:56:36
19 and letting us all air concerns about proposal and this	16:53:24	19 time in which to accomplish that. I notice that you	16:56:41
20 opportunity to provide it.	16:53:29	20 have some very, very able and talented lawyers from	16:56:44
21 Thank you.	16:53:31	21 highly regarded law firms in California, so I'm very	16:56:48
22 COMMISSIONER JONES: Thank you very much. I	16:53:32	22 confident of your ability to do that, and I welcome, I	16:56:51
23 really appreciate your testimony, Miss Imholz as well.	16:53:34	23 welcome your doing exactly that.	16:56:55
24 So, here is what I want to propose. A couple	16:53:38	24 So, why don't we know now, I think, Miss Ma	16:56:58
25 of the consumers' organizations have asked if they can	16:53:42	25 and Miss Imholz had a question.	16:57:02
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1 pose questions to Anthem or Cigna. I'm happy to	16:53:45	1 Great, Greenlining as well. So why don't you	16:57:07
2 entertain that. Why don't you pose the questions to me	16:53:49	2 pose those questions. I'll do my best to try and	16:57:11
3 and then we'll invite Anthem and Cigna's witnesses	16:53:53	3 capture them and we will invite Cigna and Anthem back up	16:57:15
4 forward, and I can pose the question to them, and that	16:53:58	4 to the table and we'll excuse the consumer groups and	16:57:19
5 will obviate, I think, the flurry of activity I notice	16:54:01	5 they can provide an opportunity to answer the questions.	16:57:22
6 in the hallway in the moment where counsel will be	16:54:06	6 Miss Ma.	16:57:22
7 consulted and there might have been some concerns, so	16:54:10	7 MS. MA: Thank you, Commissioner Jones. My	16:57:26
8 let me see if that's agreeable to Anthem and Cigna. I	16:54:14	8 question is related to Anthem's deficiencies, which I	16:57:26
9 trust that it is, since I'll be asking the questions.	16:54:19	9 have pointed out in, you know, today's hearing as well	16:57:30
10 MR. DANILSON: Jerald Danilson for White and	16:54:25	10 as the previous hearing that was held by the Department	16:57:33
11 Case. I think that is acceptable to Anthem and Cigna.	16:54:28	11 of Managed Health Care, so, they relate -- I want to	16:57:34
12 Bear in mind, that neither parties had the opportunity	16:54:30	12 hone in on the two of the deficiencies which Anthem has.	16:57:38
13 to review these matters and the witnesses' statements	16:54:33	13 The first was relating to its language assistance	16:57:41
14 prior to coming here today, so it's unlikely that any	16:54:36	14 program, and the fact that it has not assessed the	16:57:45
15 substantive information or commitment or conversation is	16:54:40	15 current language needs of its enrollees, and the second	16:57:49
16 likely to take place.	16:54:43	16 around the inaccurate provider directories. So my	16:57:52
17 COMMISSIONER JONES: Great. Well, let me make	16:54:45	17 questions relating to these deficiencies are, first, why	16:57:56
18 a suggestion with regard to that. I think that's a fair	16:54:46	18 did Anthem drop the ball on these basic requirements and	16:57:59
19 point, and what I want to do is give the companies an	16:54:51	19 consumer protections? Second, have these problems and	16:58:03
20 opportunity to respond in writing if they so choose to	16:54:54	20 deficiencies been fixed? And third, is this merger	16:58:07
21 the testimony that's been provided either in writing, or	16:55:07	21 necessary for Anthem to address these problems?	16:58:10
22 verbally, at this hearing, and so I make that offer to	16:55:09	22 COMMISSIONER JONES: Okay. Let me make sure	16:58:17
23 both Anthem and Cigna, if they wish to provide something	16:55:15	23 that Anthem got all that. Is there any additional	16:58:19
24 to me in writing to respond to the testimony that has	16:55:18	24 elaboration or clarification needed with regard to those	16:58:26
25 been provided by the Department's experts, by the	16:55:26	25 questions? And I'll certainly repeat them in a moment	16:58:29
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1	if need be but...	16:58:38	1	COMMISSIONER JONES: Yes.	17:01:15
2	Okay. Miss Imholz, you had a question.	16:58:40	2	Mr. Wagner, you are still here?	17:01:15
3	MS. IMHOLZ: Yes. We heard a lot today from	16:58:44	3	There you are. You are hiding behind that --	17:01:17
4	Anthem and Cigna about transparency goals and about the	16:58:46	4	you weren't hiding. I didn't see you with that picture	17:01:20
5	challenge of rising pharmaceutical costs. If the	16:58:50	5	there.	17:01:22
6	antitrust investigators do not block this merger, will	16:58:53	6	Okay. Wonderful.	17:01:22
7	Anthem commit to full disclosure of its pharmaceuticals,	16:58:57	7	MR. LIVINGSTON: I don't need to tell you that	17:01:23
8	claims experience, and prices it paid by drugs,	16:59:01	8	it's been a long, intense afternoon. Obviously it has.	17:01:25
9	particularly for specialty drugs, since the current rate	16:59:04	9	What we would like to do is take those questions under	17:01:29
10	review law may not yield that degree of granularity and	16:59:07	10	advisement, because some of those issues are not things	17:01:31
11	that is offered by them as a major cost driver.	16:59:11	11	we came prepared to talk about and somewhat in the	17:01:34
12	COMMISSIONER JONES: Okay. Anthem and Cigna	16:59:17	12	interest of time in hearing from other people in the	17:01:37
13	understand that question?	16:59:20	13	public, we would propose to get back to you in writing	17:01:40
14	Okay. Great.	16:59:25	14	with respect to those questions.	17:01:45
15	Greenlining.	16:59:25	15	COMMISSIONER JONES: Okay. I'm fine with	17:01:47
16	MR. GALACE: Thank you, Commissioner Jones.	16:59:25	16	that. I just want to make sure that you got all of the	17:01:49
17	I just before I get to my question, I just	16:59:28	17	questions, but we've also got them transcribed as well	17:01:53
18	would like to clarify that the basis of the data I cited	16:59:29	18	if need be. But, I think that would be fine. And I do,	17:01:58
19	actually does come from your Department's supply	16:59:32	19	as I said a moment ago, want to give both companies an	17:02:02
20	diversity survey. So, that's where we got our	16:59:37	20	opportunity to respond to anything else that's been	17:02:05
21	information.	16:59:39	21	provided by way of written or verbal testimony today.	17:02:07
22	My question is: Does Anthem have any	16:59:40	22	Any further thought as to what amount of time	17:02:12
23	strategies in place, specifically, to expand its	16:59:43	23	the companies would need to do so?	17:02:17
24	partnerships with minority-owned businesses considering	16:59:46	24	MR. LIVINGSTON: No. One thing that you did	17:02:19
25	the increase market influence it will have and also	16:59:49	25	mention was the summary of the market-conduct exams. We	17:02:25
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1	considering the fact that it will absorb Cigna's lack,	16:59:53	1	need to take a look at that and to see what would be	17:02:28
2	luster and diversity network?	16:59:58	2	involved in responding to that.	17:02:31
3	COMMISSIONER JONES: Okay. Did Anthem and	17:00:02	3	With respect to the testimony of the	17:02:32
4	Cigna understand that?	17:00:03	4	economist, we see no need to respond to that at this	17:02:38
5	MR. DANILSON: Can we repeat that one please?	17:00:06	5	point. So, we just need to figure out how long it will	17:02:44
6	COMMISSIONER JONES: Sure.	17:00:06	6	take to get answers or responses or our reaction to	17:02:49
7	Go ahead.	17:00:06	7	these three questions and to look at that market context	17:02:55
8	MR. GALACE: Does Anthem have any strategies	17:00:10	8	exam summary.	17:03:00
9	in place to expand its partnerships with minority-owned	17:00:12	9	COMMISSIONER JONES: We'll endeavor to get the	17:03:01
10	businesses given its expanding market influence, and	17:00:15	10	summary to you no later than tomorrow, and let me set a	17:03:03
11	also, given the fact that it will absorb Cigna's lack,	17:00:19	11	tentative deadline of two weeks. That will also afford	17:03:13
12	luster, supplier network?	17:00:23	12	the opportunity to, if any additional comments come in	17:03:16
13	COMMISSIONER JONES: What I'm going to want to	17:00:28	13	from other organizations between now and the 1st, you	17:03:19
14	ask is if the consumer organizations could retire if	17:00:29	14	will have an opportunity to respond to those, and if	17:03:23
15	from the witness table, and we'll invite back the	17:00:35	15	there is some extenuating circumstance that makes that	17:03:27
16	representatives of Anthem and Cigna and their counsel	17:00:39	16	deadline unattainable, I would encourage you to let me	17:03:32
17	and then we'll ask if they will answer each of those	17:00:42	17	know, and we can have a dialog about that.	17:03:35
18	questions in turn to the best of their ability, and then	17:00:47	18	Great.	17:03:38
19	after that, we'll open it up to public comment from any	17:00:56	19	Then, I appreciate the consumers	17:03:39
20	members of the public who haven't had a chance to	17:01:00	20	organization's testimony. I appreciate the questions	17:03:43
21	testify or haven't been represented in some fashion by	17:01:03	21	they posed. I'm giving the companies an opportunity to	17:03:44
22	the testimony already provided.	17:01:05	22	answer those questions in writing, as well as provide	17:03:48
23	So, is Mr. Richard still with us?	17:01:08	23	any other written responses they would like to make.	17:03:51
24	MR. RICHARDS: Yes.	17:01:13	24	We're setting a deadline of two weeks for that, but if	17:03:55
25	MR. LIVINGSTON: Gene Livingston.	17:01:15	25	that becomes problematic, the companies should so	17:03:58
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1	communicate to me. So.	17:04:03	1	consider. Obviously, there is a great deal to consider	17:06:43
2	MR. DANILSON: Commissioner, can I ask -- I	17:04:07	2	and I will do exactly that, and my plan is to make a	17:06:50
3	apologize for interrupting. Is that two weeks from	17:04:08	3	decision in a matter of weeks and then make a	17:06:56
4	today or are we saying two weeks from the date that the	17:04:09	4	recommendation to the Federal Department of Justice as	17:06:59
5	record closes, which will be the 1st?	17:04:10	5	well as the Federal Trade Commission and any of my	17:07:03
6	COMMISSIONER JONES: I was thinking two weeks	17:04:12	6	insurance commissioner colleagues that have jurisdiction	17:07:06
7	from today.	17:04:15	7	over this transaction.	17:07:11
8	MR. DANILSON: Thank you.	17:04:16	8	I want to thank my staff who did a fantastic	17:07:14
9	COMMISSIONER JONES: I appreciate the	17:04:20	9	job in organizing and preparing the hearing. I've been	17:07:17
10	suggestion for clarification. That's a fair question.	17:04:21	10	joined up here by Deputy Commissioner Janis Rocco, who	17:07:22
11	MR. LIVINGSTON: Thank you, Mr. Commissioner.	17:04:26	11	leads our health policy in reform, branch Mr. John	17:07:25
12	COMMISSIONER JONES: Very good. I think what	17:04:27	12	Finstin, our general counsel has escaped the box, and	17:07:33
13	we'll do now is see if any other members of the public,	17:04:29	13	now he's in the audience. But you can't miss him. He's	17:07:34
14	who have not already had an opportunity to testify, wish	17:04:32	14	kind of tall. I want to thank both attorneys Hinze,	17:07:37
15	to testify, and let me see by a show of hands in the	17:04:35	15	Trin Go Say for their tremendous work as well as our IT	17:07:44
16	room if there is anybody that falls into that category,	17:04:41	16	staff and everyone else that was involved in the	17:07:46
17	and I want to make sure that everyone has been permitted	17:04:46	17	hearing, and if there is no one else who wishes to	17:07:49
18	from the overflow room to make their way to make this	17:04:51	18	testify, we will now adjourn, and again, thank you very,	17:07:52
19	room as far as we know.	17:04:56	19	very much and I look forward to making a decision on	17:07:57
20	MR. HINZE: We'll double check, Commissioner.	17:04:58	20	this tremendously important matter for California	17:07:58
21	COMMISSIONER JONES: Hold tight for a moment.	17:05:01	21	consumers, California businesses and our health care	17:08:01
22	We'll make sure that everyone in that room has had an	17:05:01	22	market.	17:08:04
23	opportunity to join us today so choose.	17:05:05	23	Thank you very much.	17:08:05
24	If the answer to that is there is no one in	17:05:11	24	(Proceedings concluded at 5:08 p.m.)	17:08:06
25	that room or there is no one in that room that wishes to	17:05:12	25	--o0o--	
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1	testify, we will draw a close.	17:05:17	1	STATE OF CALIFORNIA )	
2	Let's take a pause in the proceeding for a	17:05:20	2	) ss.	
3	moment.	17:05:20	3	COUNTY OF SAN FRANCISCO )	
4	MR. HINZE: Commissioner, no one in the	17:05:20	4		
5	overflow room wishes to comment.	17:05:20	5		
6	COMMISSIONER JONES: Okay. So my staff	17:05:27	6	I, DEBRA L. ACEVEDO-RAMIREZ, hereby certify:	
7	reported to me no one there wishes to comment.	17:05:31	7	That I am a Certified Shorthand Reporter of the	
8	Let me offer again to anyone else who has not	17:05:34	8	State of California;	
9	already had a chance to comment, that the opportunity to	17:05:36	9	That in pursuance of my duties as such, I attended	
10	do so, I don't want to foreclose any member of the	17:05:38	10	the proceedings in the foregoing matter and reported	
11	public from commenting.	17:05:41	11	all of the proceedings and testimony taken therein;	
12	I do want to remind everyone that we will	17:05:42	12	That the foregoing is a full, true and correct	
13	entertain written comments until 5 o'clock, Friday,	17:05:48	13	transcript of my shorthand notes so taken.	
14	April 1st, which is this Friday. Those can be sent	17:05:54	14	Dated: April 3, 2016	
15	addressed to me care of Kaity.Fisher@Insurance.ca.gov.	17:05:58	15		
16	That web address is on our Website. We would encourage	17:06:04	16		
17	any and every member of the public who wishes to be	17:06:08	17		
18	heard on this to send in their comments and we will make	17:06:13	18		
19	sure to consider those thoroughly.	17:06:16	19		
20	I want to close by saying thank you. I	17:06:19	20		
21	appreciate, both, Anthem and Cigna's participation, and	17:06:21	21		
22	I also want to thank all of the other witnesses, the	17:06:26	22		
23	medical provider organizations, the expert witnesses	17:06:29	23		
24	from the Petris Center, the consumer organizations, who	17:06:33	24		
25	all provided enormously important testimony for me to	17:06:39	25		
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