



Axene Health Partners, LLC
Health Actuaries & Consultants
www.axenehp.com

California Department of Insurance

Review Of Anthem Blue Cross 2010 Rate Increases

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May 4, 2010

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Table of Contents

	Page
Section I	
Executive Summary	1
Section II	
Background About Individual Health Insurance Pricing	11
Section III	
Review of Key Issues Impacting All Policies	16
Section IV	
Assessment of Specific Product Rate Increases	36
Section V	
Other Considerations	47
Appendices	
Appendix A	March 2010 American Academy of Actuaries Article 57
Appendix B	February 2010 American Academy of Actuaries Article 62
Appendix C	Glossary 67
Appendix D	Projected Forward Claims Trend 76
Appendix E	Average Premium and Claim Index Factors By Year 77
Appendix F	Summary of Adjustment to Historical (Starting) Trend Factor By Plan 81
Appendix G	Historical Trend Analysis 82
Appendix H	Claims / Premium Ratio By Duration 90
Appendix I	Summary of Adjustment to Historical Trend Factor By Plan 91
Appendix J-1	Scenario 1 Premium and Claim Increases By Year 94
Appendix J-2	Scenario 2 Premium and Claim Increases By Year 98

Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Appendix J-3 Scenario 3 Premium and Claim Increases By Year	102
Appendix J-4 Scenario 4 Premium and Claim Increases By Year	106
Appendix J-5 Scenario 5 Premium and Claim Increases By Year	110
Appendix K Verification of Independence of Valuation Date on Lifetime Loss Ratio	114
Appendix L Impact of Alternate Future Trend Assumptions	116
Appendix M Product Specific Projections of Loss Ratios By Year	120
Appendix N Summary of Changes By Component	138
Appendix O The Culture of Collaboration	139

Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

Section I Executive Summary

At the request of Adam M. Cole, General Counsel of the California State Department of Insurance, we have been retained to review multiple Anthem Blue Cross (i.e., ABC) individual health insurance rate filings and determine whether or not these filings meet the requirements of the State's 70% lifetime loss ratio.

The scope of our review was defined as:

- Review current and recent Anthem rate filings to become familiar with them, the benefit plans, rating structure and methodologies used to develop rates and rate increases
- Review correspondence between the Department and Anthem regarding rates and rate filings
- Familiarize ourselves with extensive data provided to the Department by Anthem regarding these rates, rate filings, and rate increases
- Develop list of additional information needed from Anthem, communicate that to the Department, and request from Anthem
- Identify all key actuarial assumptions used by Anthem to prepare information for rate filing
- Evaluate all key actuarial assumptions
- Independently develop sample rates for validation and comparison to Anthem rates
- Validate Anthem calculations to determine appropriateness and accuracy
- Test rates to determine whether they meet loss ratio requirements of the Department (i.e., the 70% lifetime loss ratio rule)
- Clarify our understanding of Department's position on loss ratio testing and what elements can be included to satisfy the loss ratio requirements.
- Provide oral report as soon as information is available
- Communicate with the department on a regular basis as to progress on project and any interim findings
- Prepare written report for Department
- Present findings of report as directed by department (i.e., hearing, etc.)

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

We have accessed a significant number of materials for this review including multiple additional data requests from Anthem Blue Cross. This information was collected by the California Department of Insurance and provided by them to us for our analysis. We independently reviewed this information without direct communication with or explanation by Anthem Blue Cross staff. We developed multiple data requests and lists of questions that Anthem responded to. We do not have any concern about our understanding of the information. We have assumed that the information and data provided by Anthem Blue Cross are complete and accurate. We are not expressing any opinion about the accuracy of the information or data provided by Anthem Blue Cross. If any of the information or data provided by Anthem Blue Cross was incomplete or inaccurate, our findings and conclusions may be affected. We are not aware of any effort by Anthem Blue Cross to misrepresent any of the information or data we reviewed.

Our most significant findings are as follows:

- Anthem Blue Cross projection methodologies
 - Based upon a thorough review of Anthem's calculations we found several errors in Anthem's methodology used to project total lifetime loss ratios. Correcting these errors resulted in lower lifetime loss ratios than initially calculated by Anthem. Some of the errors created material differences, while others created more minor differences in total lifetime loss ratios.

The following errors were identified:

- Error #1(material): Double counting of aging in the calculation of underlying medical trend¹ for the projection of total lifetime

¹ Underlying medical trend is an estimate of the rate of inflation health care costs will be subject to under these policies. This is a combination of both a utilization component and a unit cost component. Utilization refers to the rate at which individual insureds use the health care system. Unit cost refers to the increase in costs of specific items. The underlying medical trend is subject to a variety of adjustments to be appropriate for a specific health insurance product. Correcting for the errors described earlier, Anthem's underlying medical trend for this rate filing was 14% per year.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

loss ratio. Anthem developed product specific trend factors from its assumed underlying medical trend assumption of 19.8%.

This underlying trend assumption was to exclude:

- the effects of the aging of the insured population;
- the time elapsed since policy effective date (i.e. policy duration);
- any changes in the proportions of healthy vs. unhealthy lives remaining in the insured population due to the tendency that healthy lives lapse their policies sooner than unhealthy lives;
- the leveraging effect of fixed deductibles and copayment amounts on net benefit costs; and,
- changes in the distribution of the population by benefit mix.

It turns out that Anthem failed to remove the impact of aging which in essence resulted in an overstatement of the underlying medical trend. Additionally, there were several other errors in the trend calculation including not annualizing the measured trend. The combination of these errors including the aging, resulted in a reduction of the 19.8% underlying trend assumption to 16.7%. The 16.7% is the overall product weighted trend including deductible leveraging. Without deductible leverage, this corresponds to an underlying trend of 14.0%.

- Error #2(material): Anthem overstated the initial medical trend used to project claims for September 2009 for known risk factors. The approach Anthem used to calculate the trend factor to apply at the very beginning of their projection (i.e. to September 2009 from the base period June 2008 through May 2009) was incorrect and results in a material overstatement of trend, especially for newer plans such as Smart Sense and CDHP Non-Maternity. The correction results in a 7.6% reduction of the starting claims cost for

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

SmartSense at Sept. 2009 and 4.0% reduction for CDHP Non-Maternity.

- Error #3(minor): Adjustment to weighted average number of months between successive periods used to obtain annual historical trend (i.e., used to project September 2009 – December 2009 claims). For SmartSense a specific formula error made this more significant.
- Error #4 (minor): Adjustment to weighted average number of months from base period to starting month (i.e., September 2009), rather than the assumed 9.5 months to project January 2009 and later claims.
- Error #5 (moderate): Combination of adjustments to reflect multiple changes in methodology to project more accurate results
 - Seasonality adjustment (e.g., CY deductible) based upon experience by plan
 - Re-estimation of September 2009 – December 2009 experience based upon seasonality-adjusted base period, rather than single month estimates
 - Alternative premium projection calculations based upon existing and new sales cohorts and modified premium trend approach
 - Alternative claims to premium relativity factors by duration based upon Anthem experience, including removing the re-widening of the claim to premium ratio for policy years 11+.
 - Discounting of incurred claims by an additional 0.5 months relative to premium
 - Other variations applicable to alternate scenarios
- We have no concerns in how Anthem structures their rates
- We have no concerns in how Anthem makes area rating adjustments
- We have no concerns regarding Anthem's use of underwriting rating tiers.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

- We have no concerns regarding Anthem's age/gender slope for making rates
- We have no concerns with Anthem's use of or selection of deductible leveraging factors
- We have no concerns with Anthem's selection of lapse rate assumptions. We question whether the currently proposed and requested rate increases would result in comparable lapses. We confirmed that these lapse assumptions were consistent with Anthem's recent lapse study.
- We have no concerns about the claims data used by Anthem in projections, and were able to reconcile claims data to that shown in their General Ledger.
- We do have concerns about how initial Anthem Blue Cross rating structures are changed to new structures in subsequent years and the rate consequences that might occur on some policyholders (e.g., unisex rates changed to gender specific rates, rating structure changes, area factor changes, etc.). Some policyholders, as a result of the structure change, will experience significant rate increases above and beyond what might normally be expected. We have recommended incorporating a maximum rate increase that would apply whenever a rating structure changes, thus protecting policyholders from unusual rate increases.
- Total Lifetime Loss Ratio Projections
 - All products as filed by Anthem showed a projected a total lifetime loss ratio greater than 70%
 - After correcting for Anthem Blue Cross methodological errors, the projected total lifetime loss ratios for all Anthem products is reduced from those levels presented by Anthem. As a result SmartSense total lifetime loss ratios are less than 70% putting this product out of compliance. All of the other products have reduced lifetime loss ratios but continue to be greater than 70%.
 - Assuming that the filed total lifetime loss ratio was a measure of an acceptable product performance level for Anthem, we have recalculated plan-specific rate increases for each plan that match the filed total lifetime loss ratio for each product. Each of these

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Review of Anthem Blue Cross 2010 Rate Increases May 4, 2010

increases is smaller than requested as part of the initial filing as a result of the methodological corrections we have recommended.

The following table presents the reduced rate increases that match the filed total lifetime loss ratios included in the original rate filings by Anthem Blue Cross.

Impact on Rate Increase of Matching Filed Total Lifetime Loss Ratio

Product	Initial LLR	Corrected LLR	Initial Rate Increase	Corrected Rate Increase	Difference
SmartSense	75.19%	67.90%	22.7%	6.5%	-16.2%
Share	72.85%	70.60%	32.0%	22.7%	-9.3%
Right	73.80%	72.40%	29.1%	23.9%	-5.2%
Tonik	71.96%	70.50%	29.5%	24.5%	-5.0%
Saver	76.13%	73.20%	16.3%	4.7%	-11.6%
CDHP – with maternity	144.75%	138.00%	32.7%	23.5%	-9.2%
CDHP – without Maternity	78.94%	73.30%	12.3%	2.8%	-9.5%
3500	79.83%	75.50%	16.6%	7.4%	-9.2%
Overall	76.39%	76.4%	25.4%	15.2%	-10.2%

This table shows that Anthem Blue Cross could reduce their average rate increase by 10.2% and still achieve the Lifetime Loss Ratio they forecasted in their rate filing, once their methodology was corrected. The average rate increase was reduced from 25.4% to 15.2%.

- We independently developed key assumptions (i.e., referred to as Best Estimate assumptions later in this report) and used the corrected Anthem Methodology to project Total Lifetime Loss ratios based upon Anthem's filed rate increases.
 - All products as filed show total lifetime loss ratios greater than 70%.
 - Assuming that the filed total lifetime loss ratio was a measure of an acceptable performance level for each plan for Anthem, we recalculated plan-specific rate increases for each plan that matched the filed total lifetime loss ratio. All of the products had a total lifetime loss ratio greater than 70% with the exception of SmartSense which puts it out of compliance. Each of these increases was smaller than requested as part of the filing.

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

AHP Best Estimate Assumptions
Impact on Rate Increase of Matching Filed Total Lifetime Loss Ratio

Product	Initial LLR	Corrected LLR	Initial Rate Increase	Corrected Rate Increase	Difference
SmartSense	75.19%	67.6%	22.7%	5.8%	-16.9%
Share	72.85%	70.4%	32.0%	21.9%	-10.1%
Right	73.80%	72.2%	29.1%	23.2%	-5.9%
Tonik	71.96%	70.3%	29.5%	23.8%	-5.7%
Saver	76.13%	73.0%	16.3%	4.0%	-12.3%
CDHP - with maternity	144.75%	137.4%	32.7%	22.6%	-10.1%
CDHP - without Maternity	78.94%	72.9%	12.3%	2.1%	-10.2%
3500	79.83%	75.1%	16.6%	6.6%	-10.0%
Overall	76.39%	72.3%	25.4%	14.5%	-10.9%

Applying our recommended inflationary trend value of 13.5%, the other best estimate assumptions and correcting all of the methodological changes this suggests that Anthem Blue Cross could reduce their composite rate increase by 10.9% and still achieve the filed Lifetime Loss Ratio.

- The lower rate increases shown in the preceding table result in the same total lifetime loss ratios as were filed with the original Anthem rate filings. As mentioned elsewhere in this report, beginning with the 2010 rate filing, Anthem Blue Cross no longer presented their expense assumptions in the rate filing but presented the total Lifetime Loss Ratio. The complement of this loss ratio (i.e., 76.4% as filed) is 23.6%. This suggests that Anthem Blue Cross has agreed that they are willing and able to keep their expense and margins to 23.6%.
- We have analyzed the above assumptions and have characterized them in terms of a range of reasonable assumptions for each product. We have developed a “best estimate” assumption that was used in the AHP assumptions shown above. We have also developed “low” and “high” assumptions which define the range of reasonable assumptions from

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

which Anthem could have selected its assumptions. The impact on calculations by using the “low” assumption is as follows:

Applying the “low” assumptions for each product has the following impact on the AHP lifetime loss ratio:

AHP “Low” Assumptions
Impact on Rate Increase of Matching Filed Total Lifetime Loss Ratio
(correcting double counting of aging, computational errors)

Product	Initial LLR	Corrected LLR	Initial Rate Increase	Corrected Rate Increase	Difference
SmartSense	75.19%	64.9%	22.7%	2.7%	-20.0%
Share	72.85%	69.4%	32.0%	17.0%	-15.0%
Right	73.80%	70.8%	29.1%	17.7%	-11.4%
Tonik	71.96%	68.4%	29.5%	18.1%	-11.4%
Saver	76.13%	71.6%	16.3%	-2.6%	-18.9%
CDHP – with maternity	144.75%	131.7%	32.7%	15.5%	-17.2%
CDHP – without Maternity	78.94%	68.5%	12.3%	-4.9%	-17.2%
3500	79.83%	71.8%	16.6%	-0.2%	-16.8%
Overall	76.39%	70.0%	25.4%	8.9%	-16.5%

Four products fall below the 70% threshold putting them out of compliance. However, the composite overall lifetime loss ratio for these products is 70.0%. The file rate increase drops by 16.5% to a composite of 8.9% compared to the 14.5% value for our best estimate.

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Applying the “high” assumptions for each product has the following impact on the AHP lifetime loss ratio:

AHP “High” Assumptions
Impact on Rate Increase of Matching Filed Total Lifetime Loss Ratio
(correcting double counting of aging, computational errors)

Product	Initial LLR	Corrected LLR	Initial Rate Increase	Corrected Rate Increase	Difference
SmartSense	75.19%	72.0%	22.7%	14.9%	-7.8%
Share	72.85%	71.1%	32.0%	25.0%	-7.0%
Right	73.80%	74.4%	29.1%	31.3%	+2.2%
Tonik	71.96%	72.9%	29.5%	33.2%	+3.7%
Saver	76.13%	74.7%	16.3%	10.9%	-5.4%
CDHP – with maternity	144.75%	144.1%	32.7%	31.8%	-0.9%
CDHP – without Maternity	78.94%	72.9%	12.3%	33.2%	19.9%
3500	79.83%	77.9%	16.6%	12.4%	-4.2%
Overall	76.39%	74.7%	25.4%	21.1%	-4.3%

None of the products fall below the 70% threshold. The composite overall lifetime loss ratio for these products is 74.7%. Even though this is a “high” scenario, the filed rate increase still drops by 4.3%. The filed rate increase of 25.4% drops to 21.1%.

- We have developed year by year projections of the total lifetime loss ratio showing the transition of loss ratios from today through the end of the policy lifetime included in the projections of each product. This is included in Appendix M. This can be used to show the emergence of overall loss ratio levels over the policy’s anticipated lifetime.

Following this Executive Summary, Section II provides critical background information regarding the pricing of individual health insurance products. Section III provides information about the key issues affecting all of the policy forms. Section IV presents our assessment of each of the products and whether it

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May 4, 2010

met the 70% lifetime loss ratio. Section V presents important information on related questions and considerations.

Multiple Appendices have been included which will elaborate on discussions presented elsewhere in this report.

We would like to recognize the valuable assistance provided by the Department of Insurance Staff and the thorough responses by Anthem Blue Cross actuarial staff to our multiple requests for additional information. Without this help we would not have been able to complete this review within the required timeframe.

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Section II

Background About Individual Health Insurance Pricing

Introduction

Pricing of individual health insurance products is a complex process. The insurance company provides a significant promise to pay future medical claims. As described in a recent article released by the American Academy of Actuaries (See Appendix A):

To fulfill this promise, a health insurer must **remain financially viable**, that is, it must **be adequately capitalized**. Sound financial management depends on **sound plan design, appropriate cost controls, administrative efficiency, a sound investment strategy, continued marketplace competitiveness, effective marketing and sales, and premiums corresponding to the claims that can be expected from the insurer's policyholders**. State insurance authorities are responsible for ensuring that insurers are adequately capitalized to meet their obligations.

In many states the Department of Insurance also promulgates rules and regulations regarding minimum loss ratios. The minimum loss ratio requires that the insurance company spend no less than X% of the premium on claims. For example, in the State of California there is a 70% loss ratio test applied over the policy lifetime. Appendix B presents another article by the American Academy of Actuaries on Minimum Loss Ratios.

Role of Professional Actuarial Oversight

The actuarial profession has for the most part been self-regulated throughout its existence. Basic education and educational credentials are provided through the Society of Actuaries or the Casualty Actuarial Society. Experience qualifications (perhaps the equivalent of a license to practice as an Actuary) is provided by the American Academy of Actuaries.

To provide the experienced actuary guidance for consistency in how they should practice, the American Academy of Actuaries has established a variety of tools that dictate how actuaries behave professionally. These are summarized in Actuarial Standards of Practice (ASOPs), practice notes, Guidelines for Professional Conduct, etc. In addition, there is a related discipline organization that investigates charges of improper actuarial practice.

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May 4, 2010

Although self-regulated, the oversight process is significant and actuaries are held to a very high standard of professional performance.

Environment for This Review

As mentioned earlier, the California Department of Insurance primary objective for this review is a determination of whether or not Anthem Blue Cross' proposed 2010 individual rates meet the 70% test described in its regulations. We have analyzed this and present our findings in this report. This assessment has been completed using the same professional guidelines that an actuary preparing rates for rate filing, or certifying to a lifetime loss ratio requirement uses.

It is important to realize that our findings are based upon objective criteria. It is highly likely that a review separately completed by a comparably trained actuary would reach the same or very similar conclusions.

Controversial Findings

No matter what answer we give to the question we were asked to answer, this report will undoubtedly become controversial. The primary purpose of this type of review is to provide the correct answer independent of who likes or dislikes the outcome. We have done all we can to obtain the correct answer. We understand the potential disappointment of those who may well not be able to accept or agree with our final assessment. The concerns about the validity of our assessment will likely be minimized as individuals try to understand the complexities of measuring the Lifetime Loss Ratio. The current process of submitting annual rate filings is an automatically self-correcting process. When actual experience does not exactly follow that projected in the previous year's rate filing, the subsequent year calculation of lifetime loss ratio and proposed rate increase is adjusted.

The analysis required to complete this review is extremely complex. We have tried to carefully explain it in this report to enhance the understanding of the average person who does not have actuarial experience.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

Other Related Issues

There are a variety of related issues that should be considered to understand the appropriateness of specific rate developments, filings and loss ratio testing. This process is very complex and depending upon what enabling legislation or regulations exist may inadvertently cause or lead to specific market behaviors that are challenging to oversee.

Some of the more important issues are:

- **Marketplace confidence:** a company with small marketshare wanting to increase their marketshare may want to mimic or emulate the behavior of another competitor to enhance their ability to be more attractive to the marketplace. They may have lower than average marketplace confidence. On the other hand, a plan with significant marketshare may choose to make changes to what they are doing just because they want to. They would be characterized as a plan with high marketplace confidence. No matter what level of marketplace confidence it is important for all plans to provide thorough justification of why they want to make changes so the Department can understand the rationale of the proposed change or changes. Without equitable treatment across all carriers, it is too easy for the confident plans to act as a “marketplace bully”. This requires enabling regulations for the Department to appropriately oversee this issue. This is an important issue for the Anthem review based upon our reading of the many questions asked by Department staff via emails.
- **Maximum Rate Increase Protection:** Whenever there are major structural changes in how rates are applied, it is nearly impossible to anticipate who is impacted the most. The simplest solution to this problem is superimposing a maximum rate increase for any policyholder. This is a simple thing to implement and provides important protection to policyholders.
- **Health care reform:** The recently passed health care reform will have an impact on rates and rate filings. For example the prohibition of gender-specific rates will force companies to use unisex rates. Now that the

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May 4, 2010

reform bill has been passed there are a variety of new rules that apply to all health policies.

- **How rate increases are implemented:** The specific methodology that applies to the implementation of rate increases is as important as the rate increases themselves. Many companies apply a rate increase on renewal, which suggests a staggered implementation model. Others might increase everyone as of a specific date as long as they haven't had an increase in the past N months. The rate filing needs to clearly explain what the intention is and how it will be implemented.
- **Comparison of PMPM claims cost and PMPM premium changes over time:** Tracking the historical changes of both claims cost and premiums provides valuable information in knowing whether a specific rate increase is reasonable. For example, if rates have been unchanged for a period of time and claims costs regularly increase, it is more reasonable to expect a larger increase since it included some "catch up" from prior periods. On the other hand, if several years of larger increases are occurring and are far ahead of any claims cost change, the continuation of larger rate increases is suspect to more scrutiny. We have included several tables in Appendices E-1 through E-5 showing how the premium and claims have changed historically and how they are forecast to change in the future. This type of information is beneficial to understand rate increases and Lifetime Loss Ratios.
- **Collaborative working relationship with Department:** As many industries are learning, collaborative working relationships oftentimes are resulting in more favorable results than produced by alternative methods. We recently completed a national survey of hospital contracting strategies by health plans and found that the best results for the health plan occurred when collaborative/collegial negotiations occurred. This was counter intuitive to most since individuals believed that a "hard-ball" negotiation approach got better results. We are strong believers that carriers need to maintain a collaborative relationship with the Department of Insurance to achieve the most favorable position for them corporately.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

The opposite of collaborative behavior has been described as “internally-competitive, command-and-control behavior. This is a form of self absorption. Another form of self absorption is lack of understanding how others feel”.² (See Appendix H for entire article).

Our reading of the multiple email correspondence between the Department and Anthem’s actuaries and input from the Department’s actuaries suggest that Anthem’s relationship with the Department has not been as collaborative as it could have been. We have no information to explain why Anthem may have taken this approach. We have no information from Anthem on their perspective of the relationship with the California Department of Insurance. This assessment is not to cast blame on any specific party but rather to describe our perception of the relationship between Anthem and the Department of Insurance and the reviewing actuaries.

² The Culture of Collaboration, Evan Rosen, July 21, 2009
<http://collaborationblog.typepad.com/collaboration/2009/07/index.html>

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Section III

Review of Key Issues Impacting All Policies

Introduction

Our review of Anthem Blue Cross rates was completed in two stages. First, we reviewed a listing of key issues that impacted all individual products offered by Anthem Blue Cross. Second, we reviewed each individual policy to answer the primary question asked by the Department of Insurance (i.e., did the plans meet the 70% loss ratio requirements). This Section presents the results of our Key Issues analysis.

The Anthem Blue Cross rate filings dated November 6, 2009 present the average rate increase for each Plan in the Actuarial Memorandum and then proceed to justify that rate increase by demonstrating that the Present Value of both the Total Lifetime Loss Ratio and the Future Lifetime Loss Ratio for each plan are at or above the 70% threshold established by the Department of Insurance.

In similar rate filings for rate increase effective dates of March 1, 2008 and prior, the Actuarial Memorandums included a description of the non-claims cost expenses, risk and profit margin assumptions for each plan (i.e. the company retention cost portion) expressed as a percent of the anticipated premium charges, as well as the information describing the calculations and assumptions used in deriving the Lifetime Loss Ratios. Since the retention charges are not included in the most recent filing dated November 6, 2009, we presume that the complement of the calculated present value of the Lifetime Loss Ratios in the Actuarial Memorandums can be interpreted as Anthem's projection of their current measurement of or target for the present value of the anticipated retention charges over the lifetime for these eight individual health insurance plans. The calculated Lifetime Loss Ratio for 7 of the 8 plans filed ranged from 72.0% to 79.8% in the Nov. 6, 2009 Actuarial Memorandums. The eighth plan (Lumenos or CDHP with maternity coverage) is an outlier with a projected Lifetime Loss Ratio of 144.8%. However, the weighted average for all 8 plans is 76.4%. This means that the complement of this LLR ratio, which then represents the present value of retention charges over the life of these plans, is projected to be 23.6% of the present value of premium.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

The Actuarial Memorandums for 3/1/08 and prior showed an itemization of the company retention portion of premium into 6 categories of charges, which totaled approximately 29.5% of premium. While these were expressed as a percent of premium, logically, not all of these expenses or risk charges should be increasing at the same rate as healthcare inflation each year. For example, administrative expenses and selling expenses certainly should not be increasing at a rate as high as the company's health claims expense trend, nor should profit or risk margins. Therefore, we would expect the retention cost as a percent of premium to continue to decline over time. So the currently filed present value for the lifetime retention charges as a percent of premium in the 23-24% range does not seem out of line. This is an important point to keep in mind and will be discussed further in Section IV and the Executive Summary, where we discuss our recommendations for the rate increases.

Since the focal point of the Actuarial Memorandums is the 70% Lifetime Loss Ratio test in order to demonstrate compliance with California's regulatory requirement for rate increases, the issues discussed in this section of our report focus on those components (i.e. methodology, formulas, trends and other assumptions) that are considered key issues to be addressed in calculating the Lifetime Loss Ratios on a present value basis. Additional premium-related issues addressed in our analysis are also discussed further below.

Issues Directly Related to the Calculation of the Lifetime Loss Ratios

Primary issues impacting the calculation of the expected lifetime loss ratios include the following items, which are each discussed in more detail below:

- Underlying healthcare claims trend, excluding the effects of policy duration, aging, deductible leveraging, etc.
- Assumed durational curve for claims (or claims index curve by policy duration), which is a type of claims trend present in individual health insurance coverage (i.e., for a specific block, or cohort of insured lives, particularly for underwritten insurance) not included in the underlying healthcare claims trend above
- The effects of the aging of the covered population from one year to the next (another addition to the underlying claims trend in the Lifetime Loss Ratio calculation)

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

- Deductible leveraging of health care trends (another component that needs to be recognized as additional health care trend not included in the underlying trend)
- Recognition of plan-mix changes in historical experience and projections
- Recognition of seasonality of claims.
- Comparison to normative underlying claims trend rates for California
- Total claims trend is the combined (i.e., compounded) effect of the above components of trend
- Historical experience baseline used in projecting future claims
- The assumed durational curve for premiums (or premium index curve by policy duration)
- The relationship between the claims index and the premium index curves
- Total premium rate increases
- Premium rate adjustments to reflect differences from prior assumptions
- Subscriber renewal distribution by calendar month
- Lapse assumptions
- Cohort of members used to project the anticipated Lifetime Loss Ratio (i.e. those members sold prior to 3/1/2011)
- Interest rate used to accumulate past values and discount future values
- Blocks excluded from the analysis
- Overall calculation methodology used in the determination of the projected Lifetime Loss Ratios.

The findings of our review of each of the above issues are discussed below.

- **Underlying Claims Trends** - These claims trends might be considered the “pure underlying health care trends” excluding all of the following:
 - the effects of the aging of the insured population;
 - the time elapsed since policy effective date (i.e. policy duration);
 - any changes in the proportions of healthy vs. unhealthy lives remaining in the insured population due to the tendency that healthy lives lapse their policies sooner than unhealthy lives;
 - the leveraging effect of fixed deductibles and copayment amounts on net benefit costs; and,
 - changes in the distribution of the population by benefit mix.

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

In other words, the underlying claims trend generally refers to the trend associated with covered unit cost charges and any general utilization changes for a stable, non-aging population, excluding the above items. The table in Appendix D shows the estimated underlying claims trends based on the AHP analysis of Anthem claims experience during the two-year period ending August 31, 2009. Note that column (A) shows the original trend factors in the Anthem filings for each of the eight plans, including a consolidated annual trend rate of 19.8%. However, the Actuarial Memorandums stated that these trend factors “excluded the effects of duration.” Upon review, it was determined that this was not true, since one of the components of durational effect on trend, the effect of aging, was included in both these trends as well as the durational claims index factors.

Column (B) of Appendix D shows the result when the effects of aging are removed from these trend factors. The composite 19.8% for all plans was reduced to 16.7% to eliminate the double counting. In addition, the effects of deductible leveraging should also be removed from the trends in order to get to the underlying trend rate. This resulted in a 14.0% composite underlying claims trend rate based on the Anthem experience for the 12-month period Sept 1, 2007 to May 31, 2008 to the 12-month period Sept. 1, 2008 to May 31, 2009 for most of the plans. In the case of Smart Sense and CDHP with maternity 2 recent six month periods were used. In effect, this should have been the underlying claims trend assumed in Anthem’s LLR projections if the Company believed that their historical trend rate would continue for the foreseeable future. Because of the double counting for aging, Anthem’s composite trend used as the underlying claims trend was 16.6% (see bottom of Col. (A)) through Dec. 2010. Thereafter, a flat 8% trend was used in the projections for this underlying trend rate for all years.

The LLR projections are illustrated in Appendix J. Using the first page of this appendix as an example. The numbers in the “Other” column in each table under the section called “Claims PMPM” show the calendar year underlying claims trends including deductible leveraging. For example,

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

the 1.180 represents a projected annual trend of 18.0% for 2010 grading down to the flat 8% for calendar year 2012 and later.

- **Claims Index Curve** - The underlying claims trend for individual health insurance is only one component of the total healthcare trend experienced for individual comprehensive major medical insurance. The member application process for such insurance includes the submission of a Health Questionnaire that helps an insurance company determine whether the applicant is insurable first of all, and if so, whether he is a standard or substandard risk according to the Company's underwriting rules and actuarial pricing assumptions used to determine the premium rates. The general expectation for the initial claims cost of a newly underwritten block of business is that the average cost of healthcare will be somewhat lower than the average cost expected for the general population at-large, which has not been subjected to an underwriting process. It is not unusual for such a block of new issues to experience a cost of healthcare that is 60% - 70% (i.e., 30-40% below) of the average cost of healthcare in the general population. Then as this block of newly underwritten policies moves further away from the point of underwriting (i.e. from the effective dates of coverage) the cost of health care will increase at rates significantly higher than simply the rate of the underlying claims trend rates, especially during the first policy year. There are several reasons for this. First, the effects of underwriting wear off over time. This "convergence to the mean" effect is most pronounced during the first duration. That is, as time goes on and all other things remain equal, the tendency for that insured population is to converge to the average healthcare costs present in the general population. So this is the first cause for this tendency that raises the trend of an insured population above the trend in the general population.

A second cause for this tendency is that healthy lives tend to terminate their coverage at a disproportionately higher rate than the less healthy lives. This kind of trend accelerator is also not present in the general population.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

A third important cause, the effect of the aging of the insured population, is discussed separately below. There may be other factors that impact trend within an insured population, such as a change in the mix of coverage type, especially the tendency toward increasing out-of-pocket costs as a trade-off to increasing premiums. Appendix E shows the claims index factors by duration developed by Anthem. These factors were used in their LLR projections.

The “Index” column in the “Claims PMPM” section in each of the tables in Appendix J shows the net effect of duration on the claims index curve using the claims index numbers in Anthem’s Actuarial Memorandums and the AHP adjusted index numbers summarized on a calendar year basis in the Lifetime Loss Ratio projections.

Our analysis of the approach Anthem used in calculating the trend factor to be applied to project the cost of claims for the very first month of their projection period (i.e. to September 2009 from the base period of June 2008 through May 2009) showed that this was done incorrectly and resulted in a material overstatement of trend for especially the new plans, Smart Sense and CDHP Non-Maternity.

For example, in the case of Smart Sense, the first table of Appendix G shows that in effect, Anthem’s methodology derived the annual trend for the claims index by calculating the increase in the weighted average of risk factors (for plan mix and claim duration factor) from the six-month period, 3/08 to 8/08 to the six month period a year later 3/09 to 8/09. This calculation estimated the annual trend due to these risk factors to be 15.5% out of the total trend of 29.7%. However, using this kind of approach for the duration trend tends to be distorted most in the early years of a product lines existence (as is the case for Smart Sense). In this case, the weighted average index factors for both the base period (6/08 to 5/09) and for 9/09 can be calculated directly. There is no need to go back 2 years to calculate a trend factor, especially at a point where there is such a wide swing in trend, and assume that this large increase will continue into the future. Nevertheless, this annualized trend (15.5%) for the claims duration and plan mix component of trend along with the underlying

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

trend factor was used to project the 9/09 starting pmpm claims cost by Anthem. Our direct calculation of the trend due to the change in risk factors from the base period to Sept. 2009 estimated this trend to be only 2.9%. A summary of the error is shown in Appendix F. Note that the component for duration and plan mix impact on trend in the Anthem calculation for this same period of time was, in effect, 11.3% and the AHP calculation determined this trend component to be only 2.9%. As the table shows, the Anthem trend for duration increased the base period pmpm by 21.4%, while the AHP trend determined that it should only have been increased by 12.2%. This correction resulted in a 7.6% reduction in the starting PMPM cost for SmartSense at Sept. 2009 and 4.0% reduction for CDHP Non-Maternity, the two newest plans. The error was somewhat smaller for the other 6 plans and ranged from a 2.9% reduction for PPO Saver to a 1.0% increase for Tonik (see Appendix F).

Again using Appendix J to illustrate the use of the duration index trends as part of the total trends, the "Index" column under the "Claims PMPM" section of each table shows the component of these calendar year trends. For example, the comparable trend from the claims index component for 2010 is shown by the index factor of 1.065, indicating an annual trend of 6.5%.

- **The effects of aging** - As mentioned above, a third important factor that affects trend for an insured population is the aging of the population. This again is not present to the same degree in the general population as it is in an insured population. There is basically a two-fold effect to aging in an insured population. First, each subscriber that stays in the block becomes one year older thus adding one year to the average age of the population. However, there is also a tendency for younger subscribers to terminate their coverage sooner than older subscribers. Therefore, this second effect causes the average age of an insured population to increase by more than one year each year. During our analysis of Anthem's approach to separating the effects of duration and age from their overall 2-year historic claims trend to arrive at the "underlying claims trend" of their insured population, the effects of aging were present in both their "estimate of underlying claims trend" and in the "claims index curve,"

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

which resulted in a double counting of the effects of aging in the overall trend used by Anthem in their LLR projections. This impact was discussed in more detail above.

- **Deductible Leveraging** - The Glossary in Appendix C discusses deductible leveraging in detail. Higher observed trends in net benefits are due to the leveraging impact of fixed deductibles, which results in having the member absorb a smaller portion of the overall health care cost with each passing year. This occurs when the deductibles don't increase annually to keep up with underlying trends. Note that product-specific trends were developed based on the combined medical and pharmacy deductible leveraging impacts, which represent ratios of the net benefit cost (i.e., incurred claims) trend to the underlying trend (i.e., in covered healthcare cost, before application of member cost-sharing). The medical component of the product-specific deductible leveraging factors on trend were derived from Milliman Health Cost guideline assumptions, based on plan deductibles, and the pharmacy component of deductible leveraging factors were based on Anthem's own experience data, separately for plans where pharmacy is subject to a high major medical deductible per year versus plans where pharmacy is not subject to such a deductible. This overall approach used to develop product-specific trends reflective of expected differences caused by deductible leveraging seems reasonable.
- **Recognition of plan-mix changes** - Plan mix changes were backed out of the historical claims experience and properly accounted for in the underlying healthcare cost trend, which included the elimination of the effects of duration or claims duration indexing from the historical claims experience. No specific assumptions have been factored into future projections for future changes in plan mix in the LLR calculations. However, since any such assumption would impact premium and claims proportionately, assumptions for future plan mix changes would not materially impact the Future LLR. We find this approach to be reasonable as well.
- **Recognition of seasonality** - Claims payment experience within a calendar year will tend to have a "seasonality" effect. Seasonality is the

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

variation in claims cost by calendar month. To the extent that a specific month of the year has a higher or lower health cost on a consistent basis, this is called seasonality. This is especially true for high deductible health insurance plans. It takes time for an insured member to accumulate enough healthcare costs to reach the deductible level for the plan of coverage in the calendar year. The larger the deductible, the longer the average time to accumulate enough healthcare costs to reach the deductible for that year. Therefore, incurred claims costs will tend to be relatively low in the early months of the year (i.e., while the costs are being accumulated) but gradually will increase throughout the rest of the year and will reach their highest levels pmpm during the fourth quarter of a calendar year. The first four months of the projection period were September through December, 2009. Therefore, this is exactly the period of time in the year that the health costs are expected to be at their highest point. Therefore, it is very important that seasonality is properly reflected for this four month period, while at the same time the higher trend expected due to seasonality for these four months is not then also carried forward into the trend for the subsequent full calendar year of the projection. In doing so, claims for September through December 2009 were based on the trended claims from the corresponding last four months of 2008. This resulted in generally higher loss ratios being projected for the four-month period September to December 2009, reflective of the seasonal pattern of experience observed for the last four months of 2008, although these estimates were somewhat less credible since they were based on only a single month's (or collectively 4 months') experience.

Starting with 2010 claims, however, projected claims were projected based on average annual rates without seasonality. In other words, monthly seasonality was not directly factored into the projected monthly costs. Generally this will tend to average out, particularly over a longer projection period such as is used in the LLR models, although the application of lapse rates and discounting would tend to give greater weight to the early months of 2010, causing a slight overstatement in LLR.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

AHP's estimates of Anthem's underlying average seasonality factors are shown in Appendix I, with the last two tables showing the details of our calculations. We developed these underlying seasonality factors to facilitate testing of the measured historical trend (for possible distortion due to seasonality caused by high deductibles, particularly for blocks with significantly changing membership), as well as to test the sensitivity of the LLR to such factors when applied against the lapsing membership base (i.e., for the cohort of membership being projected forward). Additionally, this facilitated using estimates for Sept. 09 through Dec. 09 based on the trended, seasonally adjusted base period experience rather than the single month projections. The impact of considering and incorporating monthly seasonality into all future year projections varied by plan, with an impact on the future LLR generally less than 0.5% (higher for DCHP/3500 plans), compared to not using any seasonality adjustment for any months.

Overall we found the approach taken to be generally reasonable, except that several calculation/methodology issues involved in these calculations needed some correction/modification, as noted below.

- **Normative claims trend** - While we had eliminated the double counting of aging from the Anthem trend assumptions, we also needed to assess the reasonableness of their underlying trend assumption. We compared Anthem's value to AHP proprietary normative trend information for California. Based upon this comparison we estimate that the Anthem average "underlying claims trend" appears to be about 0.5% higher than we expect over the next year based on our normative data. Our best estimate trend, including both utilization and unit cost inflation is 11.5%. In pricing of health care policies it is our practice to add a provision for adverse deviation to such estimates to be sure that our pricing assumption will be reasonably adequate, since there is no guarantee that the recent past trend history is a perfect predictor of future trend. Pricing of these types of policies usually would include a 2% margin, yielding a trend assumption of 13.5%. We refer to this margin as a "trend miss" margin. By increasing the underlying estimate by 2%, we are estimating a best estimate value for pricing that would likely result in appropriate trend. Anthem's assumption after adjustments, including the elimination of the

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

double counting for aging, was 14.0%, thus the 0.5% difference from our normative expectation.

- **Total claims PMPM trend** - The combination of the claims trend components discussed above is shown in the "Total" column under the "Claims PMPM" section of Appendix J. These are the total claims trends that are used in the calculation of the present value of claims and ultimately lead to the calculation of the Lifetime Loss Ratio projections shown on the right side of the tables in Appendix J.
- **Historical experience base** - The base period used as the basis for projecting future pmpm claims costs was the 12 month period beginning with June 2008 through May 2009 (i.e. 6/08 – 5/09) for each of the eight plans. It is reasonable to begin with a recent experience period that already has experienced some run-out (i.e., in this case three months) in order to minimize the amount of the base period claims cost that is itself dependent on the accuracy of an estimate (i.e. the expected claims run-out or claims reserves). Also, using a 12-month base period eliminates the complications of and reduces the need to include seasonality for future years. This base period claims cost was then trended forward using 2 separate trend rates: one was used to project claims costs from the midpoint of the base period to Sept 2009, and the other product-specific trend was used to project claims costs from the base period to Jan 2010 & beyond. A separate base period was used to project claims to the period September to December 2009. These were projected based on the trended experience from September 2008 through December 2008; again, separately by plan and block. With the exception of the disagreements already noted above involving the double counting of aging, the estimation of the claims index trend rate for the September 2009 pmpm costs and a few other minor adjustments, the overall projection approach seemed reasonable.
- **Premium Index Curve** - Premium rates for individual health insurance are actuarially calculated to strike a balance among at least three often competing or even conflicting issues:

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

- On the one hand, there is a desire to keep the Company solvent and profitable as an ongoing concern.
- On the other hand, competition pushes toward reducing premiums as much as possible so that the Company can at least maintain an acceptable market share and possibly even grow their market share.
- Third, the marketplace has a desire for the best and highest benefit levels at the lowest possible cost.

Actuarially recognizing these competing or conflicting issues requires that rates be calculated with a long-term view of the individual health insurance market. If the company were satisfied to write newly underwritten business and only expect it to survive about a year, it might be possible (though probably not legal or practical) to offer a deep discount for new business and charge only the level of premium required to pay the company's first year claims and retention costs (including a profit margin). However, the company would then find that in order to keep that block of new business profitable, there would need to be a massive rate increase for the second year (i.e., probably on the order of 50% or more). This of course would eliminate any possibility of writing any new business, unless it was legal to offer new business at the deeply discounted rate again. So they would have to come out with a new plan that could be written for another year at a deeply discounted rate (i.e., again, not legal). However, to qualify for this coverage, medical underwriting would be required. Since this kind of approach is obviously not possible, the actuarial approach to premiums is to use the long-term view for a block of business, which leads to the discussion of the premium index curve. In trying to balance the conflicting issues above, rates may be discounted to some extent but to a much lesser degree than the effect of underwriting on claims cost could warrant for new business.

Taking a long term view requires that the level of discount be limited to a level that will allow for a more gradual progression of future rate increases with the recognition that the actual loss ratio for the block in its first year or so will be low and gradually grow with duration in order to satisfy the regulatory lifetime loss ratio requirements. In the case of Anthem's assumptions, the premium index factors in their Lifetime Loss

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

Ratio projections for the 2010 rate filing are in the range of 0.901 to 0.945 at the time of issue and grow to 1.0 for year 2 and increasing thereafter. Further increases for subsequent durations take into account the double effect of aging discussed for the claims index curve above. That is, those lives that stay on for an entire year add a full year to their average age but the entire block ages by more than a year because younger lives terminate their coverage at a faster pace than older lives. The table of the premium index curve used in the Anthem projections and listed in their Actuarial Memorandums is shown on a calendar year basis (i.e., based on the weighted average membership by duration using corresponding durational factors) under the "Index" column in the "Premium PMPM" section of the tables in Appendix J. Using the first table from Appendix J to illustrate, note that the 2010 premium index component of total premium trend for Smart Sense is 1.018, which means this component of trend is 1.8%. Note that generally the claims index trend factors are higher than the premium index factors. First of all, both types of index factors have been derived from actual experience for Anthem business validated and at times, adjusted, by our consulting team as needed. The claims index is generally higher because the only factor affecting the premium index is aging, whereas the claims index is affected by not only aging but a number of other factors as already discussed above.

- **Relationship between the claims index and the premium index curves** - Anthem recently analyzed historical claims and premium data by duration to develop claims and premium index factors from recent experience. The data was analyzed into three plan type groupings. Appendix H shows the ratios of claims to index factors used that were developed by Anthem in the first column for each plan grouping. AHP slightly modified the claims index factors for a somewhat smoother progression of factors. This would not have resulted in a material effect on the projected LLRs. However, in addition to the smoothing, Appendix H shows that the ratio of claims to premium indexes although also lowered for smoothing purposes, resulted in a more significant reduction at durations 11+ in all cases. This had a slightly larger impact on the LLR. However, in general, the decrease in the LLR was less than 0.5%. In terms of credibility, we questioned the appropriateness of having the claims

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

index factor jump by about 10 percentage points more at durations 11+ than the premium index factor, when the two indexes were converging and virtually equal to one another at durations 8, 9 and 10. This did not appear to be a reasonable and thus led to the approach we followed for these later durations.

- **Total premium rate increases** - The premium rate increases each year are calculated on the basis of the observed prior period experience for a block of business, expected future new business, expected trend factors and similar conflicting issues already enumerated above. The actuarial calculations each year attempt to balance these conflicting issues both in the short term, if possible, but especially in the long term to maintain stability of the block of business as well as comply with regulatory requirements. The total rate increase, like the total claims trend increase, has more than one component. In addition to the premium index discussed above, there is the additional increase required to adjust the overall increase either upward or downward depending on where recent experience shows the loss ratios to be compared to overall company requirements. One major component of the required rate increase is the underlying claims trend. Additionally, to the extent that the most recent year experience studies by plan show that the prior year premium rate increases were either higher than needed to meet the minimum required regulatory LLR or lower than needed to meet company requirements for profitability as currently measured, the next requested rate increase would need further adjustment (i.e., reduce the requested rate increase to a level lower than the expected future claims cost trends in order to bring the LLR back into compliance with regulatory requirements in the former case or an increase in the requested rate increase to a level higher than the expected future claims trend to bring Company profitability back in line for the latter case).

The lifetime loss ratio model attempts to estimate how future experience will evolve and implicitly factors in differences between prior estimates and subsequent actual experience by the inclusion of actual historical experience in the calculations. The tables in Appendix J show the projected year-to-year claims cost increases as well as the year-to-year

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

anticipated premium rate increases. The “Total” column in the “Premium PMPM” section of the tables in Appendix J shows the projected total average increase by calendar year for each plan. The immediately following 12-month period after the effective date of a rate increase, the total rate increase shown in the model is calculated to be sufficient to meet both company as well as regulatory requirements based on the expected claims experience over the next year or two. Thereafter, the total premium trend assumed in the model is made up of an underlying trend of 8% (effective 3/1/11 and thereafter), consistent with the claims trend assumption starting 1/1/11, plus any add-on due to the premium index curve factored into projected pmpm premiums each month as the membership cohorts advance in duration. Also refer to Appendix L in which we test the sensitivity on the LLR from using a higher premium rate increase assumption of 10% starting in 2011 (3/1/11), with a corresponding claims trend of 10% starting in 2011 (1/1/11). Even though the future claims & premium trends are increased by the same %, this still causes a slight increase in the *Future* LLR of approx 0.5%, caused primarily by the impact on the 2011 annual loss ratio (due to timing difference, with claims experiencing the higher trend starting 2 months earlier than the premium revenue) as well as due the compounding effect of trends which gives greater weight to the later durations, when the loss ratios are higher.

- **Rate increase required in addition to effects of duration** - To some extent this additional rate increase has already been implicitly included in the discussion above. This section is intended to underscore the fact that total rate increase is made up of both the effects of a duration curve and an additional rate increase required to the extent necessary to cover the expected trend in PMPM claims costs. The “Other” column under the “Premium PMPM” section of the tables in Appendix E-2 shows these calendar year increases. The calendar year 2010 and 2011 values are the result of the analysis of financial results in the two year experience period ending 5/31/09 and observed annual trend projected to the 12 months immediately following the effective date of the rate increase approval for purposes of the Lifetime Loss Ratio projections. Thereafter, the “other” PMPM premium increases were assumed to be equal to the “other”

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

PMPM claims increases (i.e. 8% per year) with a slight timing difference in 2010.

- **Subscriber renewal distribution by month** - The Actuarial Memorandum for each plan listed that plan's renewal month distribution. We validated the reasonableness of the stated distributions but had some disagreement in exactly how these distributions were used in the formulas of the Lifetime Loss Ratio projections methodology. This is one of the components of our discussion above about some disagreements with Anthem's approach that were not material to the projected Lifetime Loss Ratio but were still used in our projections. For example, we applied a different assumed distribution of renewals associated with the cohort of members arising from new sales after the valuation date, since the distribution for the existing block (skewed to March 1 for most of the plans because of the transition to a March 1 focal date for renewals) would not be appropriate for new sales. Other differences related to our approach of using more of a cohort approach compared to Anthem's more simplified approach are noted in Appendix N.
- **Lapse assumptions used** - We have reviewed the calculation of applicable lapse rate assumptions that were used in the Lifetime Loss Ratio projections and found that this was reasonable based on Anthem's experience. Additionally, as outlined in our descriptions of alternative Scenarios 6-9, we tested the sensitivity of the LLR results to higher/lower lapse assumptions for each plan, in combination with variations in other assumptions, where the lapse rates are applied in the LLR calculations to project monthly membership by duration. In general, increasing the lapse rates reduces the calculated LLRs due to reducing the weight being given to the experience in later durations, which have higher projected loss ratios. For example, increasing the lapse rates to 110% of the originally assumed, experience-based rates at each duration results in a reduction in the Future LLRs of approximately 0.5% on average for tested plans, with results varying somewhat by plan. Conversely, using lower lapse rates increases the projected FLLR.

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

- **Cohort of members in projection** -The cohort of members that are included in the Lifetime Loss Ratio projections are basically those members of each block that had a policy effective date prior to 3/1/2011 (i.e. exactly 12 months after the originally requested effective date of the present rate increase filing). This is done in order to ensure that the projected LLR does appropriately capture the entire lifetime experience (based on progression of durational factors) in the LLR. In contrast, if new sales cohorts were added to all future years and included in the calculation, much of the experience included in the LLR calculation would only capture the early duration, lower loss ratio experience from new sales, thus understating the true lifetime loss ratio of such members. Thus, we believe that this approach is reasonable. Additionally, since it is virtually impossible to accurately predict the absolute level of future health care costs many years into the future, especially in today's environment, and in order to not bias the results of the LLR projections with assumptions made for future years' trends and other assumptions, the underlying trend rates for both premiums and claims were each set to 8% to neutralize each other in future years. Thus, the differences in premium vs. claims duration factors are the primary drivers of any changes in future loss ratios, apart from the underlying trend assumptions and rate increases in the immediate future.
- **Discount Rate** - Similar to the impact of varying the lapse rate, assumptions increasing the interest rate used to accumulate past values and discount future values result in the lowering of the weights being applied to the experience in later durations relative to early durations. As a result, given the higher projected loss ratios at the later durations, this results in a reduction in the calculated LLR. Testing the sensitivity of this assumption, the impact varies by plan. Increasing the discount rate by 1% reduced the LLR by a range that varied from 0.1% to 0.6%.
- **Blocks excluded from analysis** - We did not include any block C business in our analysis, since this represented business that was written before July 2007 and terminated before July 2007 for which the regulatory requirement was a 50% LLR.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

- **Overall calculation methodology** - Lifetime Loss Ratio projections were calculated by accumulating the all past premiums and claims to Sept. 1, 2009 and all future projected premiums and claims were discounted to the same date. Please refer to Appendix N for further details regarding our projections.

Other Premium-Related Issues Addressed in Our Analysis

In addition to the above issues that specifically drive the calculation of the Lifetime Loss Ratio projections, the following issues were also examined:

1. **Reconciliation of Anthem General Ledger and Claims reported for each plan** - We were able to reconcile the claims data information by plan provided and used by Anthem with the General Ledger claims information provided by Anthem. We concluded that Anthem has accurately reported the claims information for each of the plans by time period.
2. **Area Factor Analysis** - We compared actual rates by region with the area factors that were used to develop these rates and concluded that the area factors were consistent with the proposed rate tables. The area factors were based upon Anthem health cost studies by region. We did not evaluate the reasonableness of any of the Anthem rate factors. We did observe an iterative process performed by Anthem as they refined the area factors for use. Area factor analysis and studies require large volumes of consistent information and we understand and accept the significant amount of actuarial judgment that is required to finalize such calculations.

Rating Structure in 2010 Rate Filing:

Smart Sense – per individual member, gender specific
PPO Share – 4 tier, unisex
Lumenos – 1 member, 2+ members, gender specific
PPO Saver – 1 member, 2+ members, gender specific
3500 – 1 member, 2+ members, gender specific
Right Plan – per member, gender specific
Tonik – per member, gender specific

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

The rate filings for March, 2010 have developed three rates in three different formats:

- Per individual member on a gender specific basis
- Equivalent to 4-Tier rates with unisex rates (subscriber, sub + spouse, sub + children, family)
- Equivalent to 2-Tier rates with gender specific rates (1 person, 2 or more persons)

We compared rate relativities for types 2 and 3 with our AHP proprietary demographic models for both 2-Tier and 4-Tier rate structures and found the relationships to be consistent with what we expected. We found no concern areas in the way Anthem created these rate relationships.

We did not analyze the impact of any change in structure from prior periods. We discuss the potential for concern in other parts of this report.

3. **Underwriting rating tiers** - We reviewed Anthem's description of how rates for various underwriting tiers were developed. This is reasonable. We did not review how rating tiers were assigned to specific individuals based upon underwriting criteria.
4. **Rate relativity by age** - We reviewed the rate slope by attained age by comparing it to proprietary AHP information showing how health costs vary by age and gender. The results of this analysis confirmed the reasonableness of the relativities used by Anthem to make age specific rates. The best comparisons occurred when there were no maternity benefits in the Anthem benefit plan. We also analyzed loss ratios by 10 year age bands to determine whether actual experience was matching the age slope used to make rates. The loss ratios were very consistent by age band with the highest loss ratios occurring for the 20 – 29 age categories for most plans. The following table shows these results.

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Review of Anthem Blue Cross 2010 Rate Increases May 4, 2010

3500 Deductible Plans		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	27%	61%	37%	44%	36%	59%		43%
	2006	26%	48%	46%	40%	56%	58%		50%
	2007	30%	58%	51%	54%	54%	60%		55%
	2008	49%	68%	54%	60%	60%	59%		61%
	2009	32%	44%	51%	57%	49%	51%		56%
	All	35%	56%	50%	53%	54%	57%		55%
Lumenos w/ Maternity		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	0%	0%	0%	0%	0%	0%		0%
	2006	0%	0%	0%	0%	0%	0%		0%
	2007	52%	65%	102%	25%	61%	24%		64%
	2008	61%	190%	173%	63%	40%	53%		117%
	2009	66%	222%	131%	85%	41%	47%		125%
	all	62%	194%	147%	70%	43%	48%		116%
Lumenos no Maternity		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	0%	0%	0%	0%	0%	0%		0%
	2006	0%	0%	0%	0%	0%	0%		0%
	2007	0%	0%	16%	746%	0%	0%		269%
	2008	70%	194%	53%	46%	50%	33%		55%
	2009	56%	68%	62%	45%	38%	39%		51%
	all	61%	109%	59%	46%	42%	37%		52%
PPO Share Plans		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	67%	99%	78%	63%	59%	66%		66%
	2006	68%	81%	67%	58%	62%	64%		63%
	2007	61%	102%	85%	63%	61%	68%		69%
	2008	75%	96%	71%	74%	66%	68%		71%
	2009	59%	97%	75%	71%	59%	70%		75%
	all	67%	95%	75%	66%	62%	67%		69%
Right Plan		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	65%	89%	72%	65%	58%	54%		69%
	2006	59%	80%	72%	64%	59%	67%		67%
	2007	51%	78%	65%	64%	60%	54%		64%
	2008	60%	77%	66%	79%	60%	53%		69%
	2009	55%	66%	63%	61%	81%	47%		70%
	all	58%	78%	68%	67%	63%	55%		68%
PPO Saver		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	90%	68%	65%	61%	48%	63%		60%
	2006	90%	44%	58%	59%	53%	94%		62%
	2007	53%	71%	44%	61%	57%	74%		60%
	2008	53%	60%	48%	62%	63%	58%		60%
	2009	79%	105%	72%	66%	63%	62%		74%
	all	74%	65%	57%	61%	56%	71%		62%
Smart Sense		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	0%	0%	0%	0%	0%	0%		0%
	2006	0%	0%	0%	0%	0%	0%		0%
	2007	64%	136%	15%	5%	87%	63%		57%
	2008	56%	73%	66%	58%	51%	47%		62%
	2009	61%	62%	62%	56%	56%	38%		68%
	all	59%	66%	63%	57%	54%	41%		66%
Tonik (excluding Dental/Vision)		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL
	2005	60%	93%	65%	80%	52%	146%		78%
	2006	59%	76%	75%	74%	68%	114%		73%
	2007	64%	78%	68%	71%	65%	72%		72%
	2008	54%	64%	71%	65%	63%	39%		64%
	2009	56%	60%	63%	67%	71%	24%		68%
	all	59%	71%	69%	69%	66%	57%		69%
Overall		00-19	20-29	30-39	40-49	50-59	60+	IBNR	TOTAL

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Section IV

Assessment of Specific Product Rate Increases

Introduction

The multiple issues discussed in Section III impact each of the products and the assessment of whether or not they meet the 70% Lifetime Loss Ratio requirements. By reviewing them at a global level we were more quickly able to gain a better understanding of the actuarial work completed by Anthem. This section more directly focus on each of the individual products and our comments in this section will be specifically addressed by each of the individual plans.

We have presented five distinct scenarios for each product to provide the assessment of the 70% Lifetime Loss Ratio. This assessment is challenging and we believe this format will provide what the Department needs to evaluate the reasonableness of the rate increases and the Lifetime Loss Ratio. The scenarios are:

- Scenario 1: Information as filed by Anthem
- Scenario 2: Adjusted information reflecting methodology corrections with rate increases as filed by Anthem
- Scenario 3: Same as Scenario 2, except adjusting rate increase to match Lifetime Loss Ratio as filed by Anthem
- Scenario 4: AHP Best Estimate Assumptions, methodology corrections, including AHP methodology where different from Anthem, rate increase as proposed by Anthem in Scenarios 1 and 2.
- Scenario 5: Same as Scenario 4, except adjusting rate increase to match Lifetime Loss Ratio as filed by Anthem

For each product and scenario we present the following information in table format:

- Assumed underlying trend prior to deductible leveraging and other adjustments
- Product specific trend reflecting deductible leveraging and other adjustments
- Historical loss ratio dating back to 2005
- Projected Future Lifetime Loss Ratio
- Projected Total Lifetime Loss Ratio

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

- Composite rate increase

We have also developed a year by year summary of the total Lifetime Loss Ratio as it emerges today through the end of the product's lifetime as projected for each of the 5 scenarios. This information is presented in Appendix C. This shows how the projected losses change from today's values to that projected for the total policy lifetime.

Smart Sense

For the Smart Sense product, Anthem requested an average 22.8% rate increase based upon a product specific average trend of 18.7%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 75.2%. Correcting for a double counting for the effects of aging on trend in Anthem's calculation process, the product specific trend was reduced to 15.7%. Using Anthem's requested rate increase with the corrected trend rate resulted in a projected total Lifetime Loss Ratio of 67.9%, below the minimum 70%. If the rate increase were to be reduced in order to match the filed projected total Lifetime Loss Ratio, the rate increase would drop to 6.5%. Applying AHP assumptions to the projections and using the requested rate increase, the projected total Lifetime Loss Ratio is 67.6%. Adjusting the rate increase to match the filed projected total Lifetime Loss Ratio, reduced the rate increase to 5.8%.

Analysis of Smart Sense Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	18.7%	65.7%	76.5%	75.2%	22.8%
2	14.0%	15.7%	65.6%	68.2%	67.9%	22.8%
3	14.0%	15.7%	65.6%	76.7%	75.2%	6.5%
4	13.5%	15.2%	65.6%	67.9%	67.6%	22.8%
5	13.5%	15.2%	65.6%	76.7%	75.2%	5.8%

The bottom line for Smart Sense products is that the rate increases as filed when corrected result in projected Lifetime Loss Ratios below 70%. Applying a lower rate increase than filed will match Anthem's projected total Lifetime Loss Ratios when incorporating the AHP corrections in the calculations. These reduced rate increase scenarios range from 5.8% - 6.5%.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

PPO Share

The PPO Share product filing requested a 32% average rate increase based upon a product specific average trend of 21.0%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 72.8%. Correcting for the same double counting in Anthem's calculation process, the product specific trend was reduced to 17.7%. Using Anthem's requested rate increase and revised trend resulted in a projected total Lifetime Loss Ratio of 70.6%, still above the minimum allowed amount. If the rate increase is reduced to match the filed projected total Lifetime Loss Ratio, the rate increase would drop to 22.7%. Applying AHP assumptions to the projections and using the requested rate increase, our projected total Lifetime Loss Ratio is 70.4%. Adjusting the rate increase to match the filed projected total Lifetime Loss Ratio, reduced the rate increase to 21.9%.

Analysis of PPO Share Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	21.0%	71.7%	74.0%	72.8%	32.0%
2	14.0%	17.8%	71.6%	69.7%	70.6%	32.0%
3	14.0%	17.8%	71.6%	74.2%	72.8%	22.7%
4	13.5%	17.1%	71.6%	69.3%	70.4%	32.0%
5	13.5%	17.1%	71.6%	74.2%	72.8%	21.9%

The bottom line for PPO Share products is that the rate increases as filed, even when corrected result in projected Lifetime Loss Ratios in excess of 70%, thus meeting the regulatory requirements of the State of California. Lower rate increases than filed will match Anthem's projected total Lifetime Loss Ratios when recognizing corrections to Anthem's methodological calculations. These reduced rate increase scenarios show reduced rate increases of 21.9% - 22.7%.

PPO Saver

The PPO Saver product filing requested a 16.3% average rate increase based upon an average product specific trend of 18.8%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 76.1%. Correcting for methodological errors in Anthem's calculation process, the product specific

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

trend was reduced to 15.8%. Using the requested rate increase in the filing and the revised trend resulted in a projected total Lifetime Loss Ratio of 73.2%, still above the minimum level allowed. If the rate increase is reduced in order to match the filed projected total Lifetime Loss Ratio, the rate increase would drop to 4.7%. Applying AHP assumptions to the projections and using the requested rate increase, our projected total Lifetime Loss Ratio is 73.0%. Adjusting the rate increase to match the filed projected total Lifetime Loss Ratio, reduced the rate increase to 4.0%.

Analysis of PPO Saver Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (2005 - 9/2009)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	18.8%	68.6%	85.5%	76.1%	16.3%
2	14.0%	15.8%	68.4%	79.2%	73.2%	16.3%
3	14.0%	15.8%	68.4%	86.6%	76.1%	4.7%
4	13.5%	15.3%	68.4%	78.8%	73.0%	16.3%
5	13.5%	15.3%	68.4%	86.6%	76.1%	4.0%

The bottom line for PPO Saver products is that the requested rate increase as filed, even when corrected results in projected Lifetime Loss Ratios in excess of 70%, thus meeting the regulatory requirements of the State of California. Lower rate increases than filed will match Anthem's projected total Lifetime Loss Ratios when recognizing corrections to Anthem's methodological calculations. These reduced rate increase scenarios range from 4.0% - 4.7%.

Right Plan

The Right Plan product filed for a 29.1% average rate increase based upon a product specific average trend of 17.7%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 73.8%. Correcting for methodological errors in Anthem's calculation process, the product specific trend was reduced to 15.0%. Using the requested rate increase along with the corrected trend resulted in a projected total Lifetime Loss Ratio of 72.4%, still above the minimum allowed level. If the rate increase is reduced to match the filed projected total Lifetime Loss Ratio, the rate increase would be reduced to 23.9%. Applying AHP assumptions to the projections and using the requested rate increase, our projected total Lifetime Loss Ratio is 72.2%. And adjusting the

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

rate increase to match the filed projected total Lifetime Loss Ratio reduced the rate increase to 23.2%.

Analysis of Right Plan Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	17.7%	71.6%	75.7%	73.8%	29.1%
2	14.0%	15.0%	71.5%	73.2%	72.4%	29.1%
3	14.0%	15.0%	71.5%	75.8%	73.8%	23.9%
4	13.5%	14.4%	71.5%	72.8%	72.2%	29.1%
5	13.5%	14.4%	71.5%	75.9%	73.8%	23.2%

The bottom line for Right Plan products is that the requested rate increase as filed, even when corrected results in projected Lifetime Loss Ratios in excess of 70%, thus meeting the requirements of the State of California. Lower rate increases than filed will match Anthem's projected total Lifetime Loss Ratios when recognizing corrections to Anthem's methodological calculations. These reduced rate increase scenarios range from 23.2% - 23.9%.

Tonik

The Tonik Plan product filed for a 29.5% rate increase based upon a product specific trend of 19.5%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 72.0%. Correcting for methodological errors in Anthem's calculation process, the product specific trend was reduced to 16.5%. Using the requested rate increase and the revised trend resulted in a projected total Lifetime Loss Ratio of 70.5%, still above the minimum allowed. If the rate increase is reduced to match the filed projected total Lifetime Loss Ratio, the rate increase would drop to 24.5%. Applying AHP assumptions to the projections and using the requested rate increase, our projected total Lifetime Loss Ratio becomes 70.3%. Adjusting the rate increase to match the filed projected total Lifetime Loss Ratio, reduced the rate increase to 23.8%.

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Analysis of Tonik Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	19.5%	71.0%	72.5%	72.0%	29.5%
2	14.0%	16.5%	70.9%	70.2%	70.5%	29.5%
3	14.0%	16.5%	70.9%	72.6%	72.0%	24.5%
4	13.5%	15.9%	70.9%	69.8%	70.3%	29.5%
5	13.5%	15.9%	70.9%	72.6%	72.0%	23.8%

The bottom line for the Tonik Plan products is that the requested rate increase as filed, even when corrected results in projected Lifetime Loss Ratios in excess of 70%, thus meeting the regulatory requirements of the State of California. Lower rate increases than filed will match Anthem's projected total Lifetime Loss Ratios when recognizing corrections to Anthem's methodological calculations. These reduced rate increase scenarios range from 24.5% - 25.3%.

Lumenos CDHP - no maternity

The Lumenos CDHP - no maternity Plan product filed for a 12.3% rate increase based upon a product specific trend of 20.3%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 78.9%. Correcting for methodological errors in Anthem's calculation process, the product specific trend was reduced to 17.1%. Using the requested rate increase and the revised trend resulted in a projected total Lifetime Loss Ratio of 73.3%, still above the minimum allowed. If the rate increase is reduced to match the filed projected total Lifetime Loss Ratio, the rate increase would drop to 2.8%. Applying AHP assumptions to the projections and using the requested rate increase, our projected total Lifetime Loss Ratio becomes 72.9%. Adjusting the rate increase to match the filed projected total Lifetime Loss Ratio, reduced the rate increase to 2.1%.

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Analysis of Lumenos CDHP (no mat) Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	20.3%	52.2%	80.7%	78.9%	12.3%
2	14.0%	17.1%	52.1%	74.7%	73.3%	12.3%
3	14.0%	17.1%	52.1%	80.8%	78.9%	2.8%
4	13.5%	16.5%	52.1%	74.2%	72.9%	12.3%
5	13.5%	16.5%	52.1%	80.8%	78.9%	2.1%

The bottom line for the Lumenos CDHP – no maternity Plan products is that the requested rate increase as filed, even when corrected results in projected Lifetime Loss Ratios in excess of 70%, thus meeting the regulatory requirements of the State of California. Lower rate increases than filed will match Anthem’s projected total Lifetime Loss Ratios when recognizing corrections to Anthem’s methodological calculations. These reduced rate increase scenarios range from 2.1% - 2.8%.

Lumenos CDHP – with maternity

This Lumenos CDHP (with mat) Plan product was filed for a 32.7% average rate increase based upon an average product specific trend of 20.3%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 144.8%. Correcting for methodological errors in Anthem’s calculation process, the product specific trend was reduced to 17.1%. Using the requested rate increase and revised trend resulted in a projected total Lifetime Loss Ratio of 138.0%, still well above the minimum allowed. If the rate increase is reduced to match the filed projected total Lifetime Loss Ratio, the rate increase would drop to 23.5%. Applying AHP assumptions to the projections and using the requested rate increase, our projected total Lifetime Loss Ratio becomes 137.4%. Adjusting the rate increase to match the filed projected total Lifetime Loss Ratio, reduced the rate increase to 22.6%.

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Analysis of Lumenos CDHP (with mat) Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	20.3%	115.6%	151.4%	144.8%	32.7%
2	14.0%	17.1%	115.4%	143.1%	138.0%	32.7%
3	14.0%	17.1%	115.4%	151.8%	144.8%	23.5%
4	13.5%	16.5%	115.4%	142.3%	137.4%	32.7%
5	13.5%	16.5%	115.4%	151.8%	144.8%	22.6%

The bottom line for Lumenos CDHP (with Mat) Plan products is that the requested rate increase as filed, even when corrected result in projected Lifetime Loss Ratios well in excess of 70%, thus meeting the regulatory requirements of the State of California. Lower rate increases than filed will match Anthem's projected total Lifetime Loss Ratios when recognizing corrections to Anthem's methodological calculations. These reduced rate increase scenarios range from 22.6% - 23.5%.

3500 Plan (R420 - T160)

The 3500 Plan product was filed for a 16.6% average rate increase based upon an average product specific trend of 20.8%. The combination of these assumptions produced a projected total Lifetime Loss Ratio of 79.8%. Correcting for methodological errors in Anthem's calculation process, the product specific trend was reduced to 17.5%. Using the requested rate increase and revised trend resulted in a projected total Lifetime Loss Ratio of 75.5%, still well above the minimum allowed. If the rate increase is reduced to match the filed projected total Lifetime Loss Ratio, the rate increase would drop to 7.4%. Applying AHP assumptions to the projections and using the requested rate increase, our projected total Lifetime Loss Ratio becomes 75.1%. Adjusting the rate increase to match the filed projected total Lifetime Loss Ratio, reduced the rate increase to 6.6%.

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Review of Anthem Blue Cross 2010 Rate Increases May 4, 2010

Analysis of 3500 Plan Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	20.8%	58.0%	86.6%	79.8%	16.6%
2	14.0%	17.5%	57.9%	80.9%	75.5%	16.6%
3	14.0%	17.5%	57.9%	87.2%	79.8%	7.4%
4	13.5%	16.9%	57.9%	80.4%	75.1%	16.6%
5	13.5%	16.9%	57.9%	87.2%	79.8%	6.6%

The bottom line for 3500 Plan products is that the requested rate increase as filed, even when corrected result in projected Lifetime Loss Ratios well in excess of 70%, thus meeting the regulatory requirements of the State of California. Lower rate increases than filed will match Anthem's projected total Lifetime Loss Ratios when recognizing corrections to Anthem's methodological calculations. These reduced rate increase scenarios range from 6.6% - 7.4%.

All Plans Combined

We developed a composite of all plans to show the overall impact of each of the five scenarios.

Analysis of All Plans Combined Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (2005 - 9/2009)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
1	16.6%	19.8%	69.5%	79.8%	76.4%	25.4%
2	14.0%	16.7%	69.3%	74.2%	72.6%	25.4%
3	14.0%	16.7%	69.3%	80.1%	76.4%	15.2%
4	13.5%	16.1%	69.3%	73.8%	72.3%	25.4%
5	13.5%	16.1%	69.3%	80.1%	76.4%	14.5%

This shows reduced rate increases across all plans in the range of 14.5% - 15.2% instead of the original 25.4% rate increase.

Transition of Total Lifetime Loss Ratio

As part of our analysis we prepared some exhibits for each plan showing how the current loss ratios transition to the total Lifetime Loss Ratio on a year by year basis. This information is shown for each of the five scenarios for each product

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Review of Anthem Blue Cross 2010 Rate Increases May 4, 2010

and can be found in Appendix M. To provide an explanation of these exhibits, we have included the exhibit for Smart Sense. See how Scenario 1 shows the progression by year of the total Lifetime Loss Ratio from 56.54% to the overall 75.19%. In Scenario 2 (filed rate increase with corrected methodology) all of the loss ratios throughout the product lifetime are less than 70%. Lowering the rate increase (i.e., Scenario 3) to match the total Lifetime Loss Ratio shown in Scenario 1, dramatically reduces the number of years where the loss ratio is less than 70%.

In Scenario 4 where we are using AHP best estimate assumptions and correct methodology but at filed rate increase, we also find all years to be less than 70%. As the rates are lowered in Scenario 5, the number of years below 70% is significantly decreased resulting in an acceptable lifetime loss ratio.

Cumulative Loss Ratios by Scenario (Present Value Basis)										
	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
SmartSense										
Pre 2008	--	56.54%	--	56.44%	--	56.44%	--	56.44%	--	56.44%
2008	--	61.87%	--	61.77%	--	61.77%	--	61.77%	--	61.77%
2009	73.98%	68.20%	67.51%	66.19%	67.51%	66.19%	67.47%	66.18%	67.47%	66.18%
2010	69.96%	68.55%	63.38%	64.13%	66.61%	66.27%	63.18%	64.00%	66.54%	66.23%
2011	70.04%	69.08%	63.29%	63.81%	69.08%	68.25%	63.01%	63.60%	69.05%	68.23%
2012	70.80%	69.87%	63.92%	64.23%	70.62%	69.63%	63.62%	63.99%	70.61%	69.62%
2013	71.71%	70.75%	64.62%	64.78%	71.81%	70.72%	64.30%	64.52%	71.81%	70.72%
2014	72.75%	71.71%	65.35%	65.39%	72.87%	71.69%	65.02%	65.11%	72.87%	71.68%
2015	73.73%	72.61%	66.02%	65.97%	73.78%	72.52%	65.68%	65.68%	73.78%	72.51%
2016	74.46%	73.29%	66.58%	66.45%	74.51%	73.20%	66.24%	66.16%	74.51%	73.19%
2017	74.94%	73.74%	67.02%	66.84%	75.09%	73.73%	66.68%	66.54%	75.09%	73.72%
2018	75.28%	74.07%	67.37%	67.15%	75.53%	74.14%	67.02%	66.84%	75.53%	74.13%
2019	75.59%	74.35%	67.63%	67.38%	75.86%	74.45%	67.28%	67.07%	75.87%	74.45%
2020	75.86%	74.60%	67.83%	67.55%	76.11%	74.68%	67.47%	67.24%	76.12%	74.68%
2021	76.07%	74.80%	67.97%	67.68%	76.30%	74.85%	67.61%	67.37%	76.30%	74.85%
2022	76.22%	74.95%	68.07%	67.78%	76.43%	74.98%	67.72%	67.46%	76.44%	74.98%
2023	76.33%	75.05%	68.15%	67.85%	76.53%	75.07%	67.79%	67.53%	76.53%	75.07%
2024	76.42%	75.13%	68.21%	67.90%	76.60%	75.14%	67.85%	67.58%	76.61%	75.14%
2025	76.48%	75.19%	68.25%	67.93%	76.65%	75.19%	67.89%	67.62%	76.66%	75.19%

Summary

As described earlier in this section, as filed by Anthem all of the products meet the 70% minimum total Lifetime Loss Ratio requirements. Considering the corrections to methodology used by Anthem to make their projections, and alternative health care inflation assumptions we have developed, smaller rate

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

increases than proposed by Anthem Blue Cross would yield the same total Lifetime Loss Ratio projected by Anthem in their rate filing. As these are incorporated into the calculations, SmartSense falls below 70% putting it out of compliance. This leads to a reduced rate increase for SmartSense as outlined above. The remainder of the policies are still above 70%. In our opinion, Anthem Blue Cross in its filing agreed that it would be able to effectively run these products at an overall Lifetime Loss Ratio of 76.4% (i.e., expense and margins no more than 23.6%). Correcting for methodological errors this results in reduced rate increases of 14.5% - 15.2%, instead of the filed 25.4%.

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Section V Other Considerations

Introduction

There are several other topics and considerations that need to be considered when completing the assessment presented in this report. We will discuss the most important ones in this section.

Range of Acceptable Actuarial Assumptions

Actuarial assumptions are usually defined in terms of a range of acceptable assumptions. For example, if reasonable interest rate discounts are in a 4% - 7% range, the use of any answer within that range would by definition be reasonable. The impact on a company's assessment of Lifetime Loss Ratio can be affected as to which assumption is selected. If the selected assumption for interest rate discount is at the lower end of the range (i.e., 4% in this example), it will have a different impact on other key performing metrics than one selected at the high end of the range of reasonable assumptions (i.e., 7% in this example).

In the complex process to project total Lifetime Loss Ratio for a health policy there are potentially multiple dozens of separate assumptions that need to be made, each selected from a range of acceptable assumptions. The combined impact of using a particular set of assumptions, each assumption selected from a range of acceptable assumptions, will vary based upon which specific assumptions were selected.

As a result, it is critical that each individual assumption be evaluated to determine whether it is within a reasonable range of potential assumptions. Much of the effort expended in Section III was to thoroughly understand each of the many detailed and complex assumptions used by Anthem.

If we assume that each range of acceptable assumptions can be characterized as a symmetrical band around the best estimate (i.e., $X \pm Y\%$). Best estimate is X and any number within $\pm Y\%$ of X is a reasonable assumption. When assumptions are selected from the conservative side of the range, the forecasted results will lead to conservative findings. In the case of a conservative annual inflation rate for claims trend, the carrier is selecting an assumption that is higher than what

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

their best estimate might be, but since it is still within the range of acceptable assumptions they are not using an incorrect assumption. The calculation of total Lifetime Loss Ratios would be based upon this same assumption. As long as the selected assumptions are selected from a range of reasonable assumptions, the projected results are by definition reasonable.

If selected from the conservative side of the range, the assumptions are still reasonable by definition. However, such a choice might lead to a situation where the actual emerging experience from the health plan is more favorable than had been forecasted using more conservative assumptions. As long as a health plan chooses assumptions within a reasonable range of acceptable assumptions, the assumptions are reasonable. The ultimate impact of using overly conservative assumptions by a carrier over the long term would lead to a difficulty in demonstrating that the minimum Lifetime Loss Ratio requirement is being met, since subsequent rate filings would show a consistent pattern of missing the mark as the experience unfolds. Eventually projected rate increases would be expected to moderate and/or lead to the use of less conservative assumptions. The natural balancing of the selection of assumptions and the eventual impact on actual results is a valuable part of monitoring rate increases based upon Lifetime Loss Ratios.

The potential for abuse with such balancing is minimal as long as the Lifetime Loss Ratio calculations are reasonably calculated. If accurately calculated, using assumptions clearly within the range of acceptable assumptions, with the total Lifetime Loss Ratio equal to or greater than the minimum standard, then the resultant rate increases proposed by the health plan must be viewed as reasonable and appropriate for this particular rate filing. It is understandable that someone might prefer lower rate increases than proposed by the health plan. However, as long as the total Lifetime Loss Ratio projections are accurate (i.e. are within the parameters described in our discussion above) and meet the minimum Lifetime Loss Ratio requirement, the requested rate increase is reasonable since it meets the regulatory requirements.

The assessment of reasonableness of a specific set of rate increases while operating under a minimum total Lifetime Loss Ratio rate review process is an assessment of whether or not the minimum Lifetime Loss Ratio was properly

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

met, and not whether or not the rate increases were acceptable by some other criteria.

Impact of Alternate Assumptions

In Section III the following key assumptions were listed as critical in calculating the total Lifetime Loss Ratio:

- Underlying claims trend, excluding the effects of policy duration,
- Assumed durational curve for claims (or claims index curve by policy duration), which is a type of claims trend present in individual health insurance coverage that is something other than the “underlying healthcare claims trend” mentioned above,
- The effects of the aging of the covered population from one year to the next (another addition to the underlying claims trend in the Lifetime Loss Ratio calculation),
- Deductible leveraging of health care trends (another component that needs to be recognized as additional health care trend in the Lifetime Loss Ratio calculation apart from the underlying trend),
- The assumed durational curve for premiums (or premium index curve by policy duration),
- Subscriber renewal distribution by calendar month,
- Interest rate used to accumulate past values and discount future values,
- Lapse assumptions used,
- Cohort of members used to project the anticipated Lifetime Loss Ratio (i.e. those members sold prior to 3/1/2011), and
- Overall calculation methodology used in the determination of the projected Lifetime Loss Ratios.

In an attempt to characterize the reasonableness of the assumptions used by Anthem, we have developed a range of assumptions for each of these to try to present how the total Lifetime Loss Ratio might be impacted by the selection of individual assumptions. We have characterized assumptions as follows:

- Best Estimate: Most appropriate assumption in the middle of the range, assumption with no intended bias.
- High: Conservative assumption most likely leading to a higher total Lifetime Loss Ratio

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

- Low: Aggressive assumption most likely leading to a lower total Lifetime Loss Ratio

We have reviewed each of the key assumptions and have concluded that the following assumptions provide the most important comparisons for the assumptions used by Anthem and ourselves.

Categories of Alternate Assumptions

Alternate Assumption	Description
Underlying Claims Trend	<p>The underlying health care claims trend including both utilization and unit cost trends. This assumption is prior to plan specific adjustments (e.g., deductible leveraging). Other factors such as aging, wearing off of underwriting, durational factors, etc. all apply to the projected claims after the underlying claims trend is applied.</p> <p>The assumptions for this are:</p> <ul style="list-style-type: none">○ Anthem: 14.0%○ AHP: 13.5%○ "low": 12.0%○ "high": 15.0%
Relationship between Claim and Premium Curve	<p>The derivation of premium rates involves two distinct sets of assumptions by policy duration. The first is the claim durational factors and the second is the premium durational factors. These are balanced over the policy lifetime to produce reasonable rates. The ratio of the claim durational factors to the premium durational factors provides a useful metric to analyze the impact of policy duration. We have defined assumptions using this metric.</p> <p>The assumptions for this are presented in Appendix H.</p>
Lapse rate assumptions	<p>Lapse rates define how quickly policyholders terminate policies by policy duration. Anthem has conducted</p>

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

	<p>lapse studies to estimate their lapses by policy duration and have used the results of these studies to develop their assumptions. We have used this information to define alternate lapse rates for our assumption testing. The assumptions for this are:</p> <ul style="list-style-type: none"> ○ Anthem: standard lapse rates ○ AHP: standard lapse rates ○ "low": 90% of Anthem ○ "high": 110% of Anthem
Level of New Business	<p>Anthem has made estimates of how much new business they will write. The level of new business written and its relationship to the volume of current business is critical to understanding the impact of this assumption on the overall calculation of lifetime loss ratio. We have included two extremes in our high and low assumptions (i.e., 2x new business and no new business)</p> <p>The assumptions for this were:</p> <ul style="list-style-type: none"> ○ Anthem: per rate filing ○ AHP: per rate filing ○ "low": no new business ○ "high": 2 x rate filing

For each product we will present four distinct assumptions for each of these items. We will show Anthem's assumption, corrected for methodological errors, AHP best estimate and the two extremes for reasonable assumptions, the low and high range.

We will present the impact of changes in each of these assumptions and will include an overall calculation of the lifetime loss ratio for each including all four assumptions. The Anthem column corresponds to Scenarios 2 and 3 in Section IV. The Best estimate corresponds to our AHP assumptions which are described by Scenarios 4 and 5 in Section IV. The "low" is presented in Scenario 6 and 7 and the "high" is presented in Scenario 8 and 9.

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

We have created four additional scenarios as defined below:

- Scenario 6: “Low” assumption and filed rate increase
- Scenario 7: “Low” assumption adjusted to filed Lifetime Loss Ratio
- Scenario 8: “High” assumption and filed rate increase
- Scenario 9: “High” assumption adjusted to filed Lifetime Loss Ratio

We have calculated lifetime loss ratios for each of these and have adjusted them to match the filed lifetime loss ratios and an adjusted rate increase.

Smart Sense

The results for Smart Sense are as follows:

Analysis of Smart Sense Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	13.5%	65.6%	64.9%	65.0%	22.8%
7	12.0%	13.5%	65.6%	76.4%	75.2%	0.7%
8	15.0%	16.9%	65.6%	73.4%	72.0%	22.8%
9	15.0%	16.9%	65.6%	77.3%	75.2%	14.9%

The “low” lifetime loss ratio goes below 70% and when adjusted results in a 0.7% rate increase. The “high” lifetime loss ratio remains above 70%, but results in a 14.9% rate increase

PPO Share

The results for PPO Share are as follows:

Analysis of PPO Share Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	15.2%	71.6%	67.0%	69.4%	32.0%
7	12.0%	15.2%	71.6%	74.4%	72.8%	17.0%
8	15.0%	19.0%	71.6%	70.6%	71.1%	32.0%
9	15.0%	19.0%	71.6%	74.1%	72.8%	25.0%

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Review of Anthem Blue Cross 2010 Rate Increases

May 4, 2010

The “low” lifetime loss ratio goes below 70% and when adjusted results in a 17.0% rate increase. The “high” lifetime loss ratio remains above 70%, but results in a 25.0% rate increase

PPO Saver

The results for PPO Saver are as follows:

Analysis of PPO Saver Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	13.6%	68.4%	75.8%	71.6%	16.3%
7	12.0%	13.6%	68.4%	87.8%	76.1%	-2.6%
8	15.0%	17.0%	68.4%	82.1%	74.7%	16.3%
9	15.0%	17.0%	68.4%	85.5%	76.1%	10.9%

The “low” lifetime loss ratio exceeded 70% and when adjusted results in a 2.6% rate reduction. The “high” lifetime loss ratio remains above 70%, but results in a 10.9% rate increase

Right Plan

The results for Right Plan are as follows:

Analysis of Right Plan Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	12.8%	71.5%	70.2%	70.8%	29.1%
7	12.0%	12.8%	71.5%	76.0%	73.8%	17.7%
8	15.0%	16.0%	71.5%	76.8%	74.4%	29.1%
9	15.0%	16.0%	71.5%	75.7%	73.8%	31.3%

The “low” lifetime loss ratio exceeded 70% and when adjusted results in a 17.7% rate increase. The “high” lifetime loss ratio remains above 70%, but results in a 31.3% rate increase, higher than initially filed.

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Review of Anthem Blue Cross 2010 Rate Increases **May 4, 2010**

Tonik

The results for Tonik are as follows:

Analysis of Tonik Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	14.1%	70.9%	67.0%	68.4%	29.5%
7	12.0%	14.1%	70.9%	72.6%	72.0%	18.1%
8	15.0%	17.6%	70.9%	74.5%	72.9%	29.5%
9	15.0%	17.6%	70.9%	72.8%	72.0%	33.2%

The “low” lifetime loss ratio goes below 70% and when adjusted results in a 18.1% rate increase. The “high” lifetime loss ratio remains above 70%, but results in a 33.2% rate increase

Lumenos CDHP (without Maternity)

The results for Lumenos CDHP (without Maternity) are as follows:

Analysis of Lumenos CDHP (without maternity) Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	14.7%	52.1%	69.3%	68.5%	12.3%
7	12.0%	14.7%	52.1%	80.4%	78.9%	-4.9%
8	15.0%	18.3%	52.1%	80.7%	77.7%	12.3%
9	15.0%	18.3%	52.1%	82.2%	78.9%	10.0%

The “low” lifetime loss ratio goes below 70% and when adjusted results in a 4.9% rate reduction. The “high” lifetime loss ratio remains above 70%, but results in a 10.0% rate increase

Lumenos CDHP (with Maternity)

The results for Lumenos CDHP (with Maternity) are as follows:

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Analysis of Lumenos CDHP (with Maternity) Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	14.7%	115.4%	134.9%	131.7%	32.7%
7	12.0%	14.7%	115.4%	151.1%	144.8%	15.5%
8	15.0%	18.3%	115.4%	152.7%	144.1%	32.7%
9	15.0%	18.3%	115.4%	153.5%	144.8%	31.8%

The “low” lifetime loss ratio goes still exceeds 100% and when adjusted results in a 15.5% rate increase. The “high” lifetime loss ratio is also above 100%, and results in a 31.8% rate increase

3500

The results for 3500 are as follows:

Analysis of 3500 Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	15.0%	57.9%	75.8%	71.8%	16.6%
7	12.0%	15.0%	57.9%	87.1%	79.8%	-0.2%
8	15.0%	18.8%	57.9%	84.8%	77.9%	16.6%
9	15.0%	18.8%	57.9%	87.7%	79.8%	12.4%

The “low” lifetime loss ratio is above 70% and when adjusted results in a 0.2% rate decrease. The “high” lifetime loss ratio remains above 70%, but results in a 12.4% rate increase

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Review of Anthem Blue Cross 2010 Rate Increases
May 4, 2010

Overall

The overall results for all products are as follows:

Analysis of All Products Loss Ratio Scenarios

Scenario	Assumed Underlying Trend	Product Specific Trend	Historical LR (8/2009 and prior)	Projected Future Lifetime Loss Ratio	Projected Total Lifetime Loss Ratio	Composite Rate Increase
6	12.0%	14.3%	69.3%	70.4%	70.0%	25.4%
7	12.0%	14.3%	69.3%	80.2%	76.5%	8.9%
8	15.0%	17.9%	69.3%	77.9%	74.7%	25.4%
9	15.0%	17.9%	69.3%	80.2%	76.1%	21.1%

The “low” lifetime loss ratio shows an average 70% and when adjusted results in a 8.9% rate increase. The “high” lifetime loss ratio remains above 70%, but results in a 21.1% rate increase.

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Appendix A

March 2010 American Academy of Actuaries Article



Policymakers are considering implementing additional premium-oversight mechanisms as part of health reform efforts. Any such efforts should be based on actuarial principles and should incorporate the appropriate processes to evaluate premiums and premium increases.

An individual health insurance contract is a significant promise to pay future medical claims. To fulfill this promise, a health insurer must remain financially viable, that is, it must be adequately capitalized. Sound financial management depends on sound plan design, appropriate cost controls, administrative efficiency, a sound investment strategy, continued marketplace competitiveness, effective marketing and sales, and premiums corresponding to the claims that can be expected from the insurer's policyholders. State insurance authorities are responsible for ensuring that insurers are adequately capitalized to meet their obligations.

Premiums Are Set to Cover Projected Medical Claims and Expenses

Premiums for health insurance policies in the individual market are set to adequately pay projected claims, administrative expenses, margins for adverse deviations, profit/contribution to surplus, premium taxes and other applicable state taxes and fees, and federal taxes on earnings. How these components are factored into setting premiums varies according to the regulatory framework and specific market competition and therefore premium levels will also vary.

The largest factor in the setting of premiums is projected claims. In the individual market, the percent of premiums used to pay

claims typically ranges from about 70 percent to 85 percent. Administrative expenses, which include marketing/commissions and enrollment, provider and medical management, billing and claims processing, customer service, and corporate compliance and overhead activities, typically make up about 10 percent to 20 percent of premiums.¹ To protect plan solvency in the event that plan expenditures exceed premiums, insurers are required to carry surplus (also referred to as risk capital) to cover any shortfall. Risk charges and profits, averaging about 3 to 5 percent of premiums, fund this surplus. Federal income taxes and state taxes and fees average about 2 to 3 percent of premiums.

Over the long term, if the insurance carrier cannot charge premiums that support its profit and surplus requirements, it cannot remain in the market. Over the short term, inadequate premiums can be funded by drawing on surplus. If the carrier is earning sufficient profits in other lines of business, those profits can help offset losses. This type of cross subsidy is not a long-term solution, however, because insurers cannot rely on profits from other lines of business indefinitely.

Premiums Reflect the Underlying Medical Costs of the Enrollee Population

Projected claims, and therefore premiums, depend on the medical costs of the insured

ADDITIONAL RESOURCES

Administrative Expenses
http://www.actuary.org/pdf/health/admin_expenses_sept09.pdf

Minimum Loss Ratios
http://www.actuary.org/pdf/health/loss_feb10.pdf

The Individual Medical Insurance Market: A Guide for Policymakers
http://www.actuary.org/pdf/health/med_market_1008.pdf

¹Administrative expenses are typically higher relative to premiums for individual and small-group health insurance products than for large-group products. One reason for this is the lower benefit levels in the individual and small-group markets. In addition, many activities undertaken by insurers in the individual and small-group markets are undertaken more directly by employers in the large-group market. More information on insurer administrative functions and expenses is available in the Academy's papers, *Critical Issues in Health Reform: Administrative Expenses* (September 2009) and *Critical Issues in Health Reform: Minimum Loss Ratios* (February 2010).



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Appendix A

March 2010 American Academy of Actuaries Article

population. If an insurance plan attracts a disproportionate share of individuals with higher-than-average expected medical costs, otherwise known as adverse selection, then premiums will be higher than average to reflect these higher costs.

Various rules and regulations that apply to health insurance markets also affect premiums. The most common state premium-rating approach for the individual market is to permit premiums to vary not only by characteristics such as age and gender, but also by the individual's health status at the time of issue. Even with this approach, however, there may be some limitations on premium variations. For instance, several states limit the extent to which premiums can vary according to health status. Certain states have implemented more restrictive rating requirements, and prohibit rating variations by health status altogether.

Limiting the extent to which premiums can vary, as well as prohibiting insurers to deny or limit coverage to individuals with preexisting health conditions, can affect the degree of adverse selection. For instance, limiting or prohibiting premium variations by health status or other characteristics correlated with health spending can raise the premiums for younger and healthier individuals, relative to what they would pay if health status could be used as a rating factor. This could cause younger and healthier individuals to opt out of coverage, leaving a higher-cost insured population. Similarly, guaranteed-issue provisions, applicable to all carriers or only those designated as

a carrier of last resort, can exacerbate adverse selection concerns by giving individuals the ability and incentive to delay purchasing insurance until they require health care services. The greater the degree of adverse selection, the higher the average premiums.

Premium Increases Reflect Medical Spending Growth and Other Factors

Premiums for plans in the individual health insurance market typically increase every year due to increases in claim costs. Numerous factors affect how average claim costs for a particular plan and insurer might change from year to year, and how those changes in claim costs that are factored into a plan's premiums can vary from insurer to insurer.²

- **External factors driving medical-cost increases**—These factors, which are common to all health insurance markets, are those that reflect increases in the per-unit cost of health services (e.g., the price for a given physician visit) as well as increases in utilization.
- **Policy duration (for medically underwritten business)**—Medical costs can be relatively low during the first year of a policy, in part due to the application of medical underwriting. However, they are likely to increase annually after the year of issue as individuals develop health conditions and incur more claims. Insurers can spread these increases over all premiums for the length of time a typical policy will be in force (including the initial premiums)

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²See the Academy's issue brief, *The Individual Medical Insurance Market: A Guide for Policymakers* (October 2008) for more details on the factors affecting premium increases.

Members of the Health Practice Council (HPC) and Individual Medical Market Task Force include: Alfred A. Bingham, Jr., MAAA, FSA, FCA, vice president of the HPC; Patrick L. Collins, MAAA, FSA, vice-chairperson of the HPC; Michael S. Abroe, MAAA, FSA, chairperson of the Individual Medical Market Task Force; Thomas M. Ahmann, MAAA, FSA; David J. Bahn, MAAA, FSA; Karen Bender, MAAA, FSA; Kenneth L. Clark, MAAA, FSA; Ian G. Duncan, MAAA, FSA, FIA, FCIA; Scott L. Fitzpatrick, MAAA, FSA; Alan R. Furan, MAAA, FSA; Ernest G. Jaramillo, III, MAAA, ASA; Warren R. Jones, MAAA, ASA; Darrell D. Knapp, MAAA, FSA; Walter T. Liptak, MAAA, ASA, EA; Mark E. Litow, MAAA, FSA; Timothy J. Luedtke, MAAA, FSA; Karl Madrecki, MAAA, ASA; Catherine M. Murphy-Barron, MAAA, FSA; Barbara P. Niehus, MAAA, FSA; Donna C. Novak, MAAA, ASA, FCA; Bernard Rabinowitz, MAAA, FSA; David A. Shea Jr., MAAA, FSA; Sudha Shenoy, MAAA, FSA, CERA; James E. Spencer, MAAA, FSA; Martha M. Spenny, MAAA, ASA; P.J. Eric Stallard, MAAA, ASA, FCA; Jenny E. Stevens, MAAA, ASA; Steele R. Stewart, MAAA, FSA; Thomas J. Stoiber, MAAA, FSA; Graham R. Sutherland, MAAA, ASA; Karin M. Swenson-Moore, MAAA, FSA; Sara C. Teppema, MAAA, FSA, FCA; Michael J. Thompson, MAAA, FSA; Roderick Turner, MAAA, FSA; Cori E. Uccello, MAAA, FSA, FCA; Karl G. Volkmar, MAAA, FSA, FCA; Shari A. Westerfield, MAAA, FSA; Dale H. Yamamoto, MAAA, FSA, FCA, EA; and JingJing Vicki Zhang, MAAA, FSA.

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Appendix A

March 2010 American Academy of Actuaries Article

or they can set the initial premiums low and impose higher premium increases to reflect expected increases each year.

- **Policyholder lapses/changes in enrollment mix**—Adverse selection concerns arise not only at issue, but also at renewal. If a healthier individual can purchase a new policy at a lower premium compared to the renewal premium, then the average medical costs and premiums of the individuals retaining coverage would increase over time.
- **Leveraging effect of deductible**—When total health spending increases but the deductible level is held constant, the deductible each year represents a smaller share of claims. Therefore, the plan's claims will increase more on a percentage basis than the increase in total spending. This increase in claims, and the associated increase in premiums, is referred to as deductible leveraging and the higher the deductible, the greater the leveraging effect will be, all other things being equal. Higher deductible plans, however, typically attract individuals with lower expected claims, including those who increase their deductible levels in order to reduce their premium increase. This can offset the increases resulting from deductible leveraging of higher deductible plans.
- **Correction of prior estimates**—As data on actual medical spending emerge, premiums may need to be adjusted up or down to correct for any under- or over-estimates of medical trend. Setting premiums too low has a compounding effect when the next premium increase is calculated. Premium increases for the coming year reflect not only expected medical trend in the next year, but also any understatement of trend up to that point.³

Risk-Based Capital Protects Insurer Solvency

Private insurers need to accumulate and hold reserves to be adequately capitalized. Focusing on the affordability and accessibility of health insurance without also considering these capital requirements could result in the insolvency of private insurers. The recent financial insolvencies of non-insurance institutions underscore the need to ensure adequate funding of risks.

A health insurer requires capital to mitigate the risk that insurance claims and expenses will exceed insurance premium revenues, jeopardizing financial solvency. In other words, holding risk capital increases the probability that an insurer will have enough funds to meet its financial obligations, even when costs exceed priced-for levels. Recognizing the importance of risk capital, the National Association of Insurance Commissioners (NAIC) developed minimum capital standards—or risk-based capital (RBC) requirements—that vary according to the amount and types of risks assumed by an insurer. These requirements are based on historical experience, taking into account the factors related to previous insurer insolvencies. A typical minimum risk capital requirement for a health insurer might be 25 percent of annual premiums or more.⁴ Premiums must be adequate both to cover current costs and to fund (through after-tax risk/profit charges) any required growth in risk capital.

Principles for Premium Oversight

Effective premium-oversight mechanisms should be based on actuarial principles. The principles outlined below highlight the criteria for a viable, sustainable, and competitive insurance market.

- **Health insurance premiums must be adequate to pay projected claims, expenses, and supporting risk charges.**

³Note that any premium increases due to a correction of medical-trend assumptions are not intended to recoup any past losses. Rather, they are done to meet premium adequacy requirements on a prospective basis.

⁴More detail on RBC requirements and the impact on expense charges is available in the Academy paper, *Critical Issues in Health Reform: Administrative Expenses* (September 2009).

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Appendix A

March 2010 American Academy of Actuaries Article

A fundamental actuarial principle is that premiums must be adequate to pay projected expenditures, and that these expenditures depend on many factors, including the underlying medical costs of the enrollee population. It is important to understand the reasons for the increases in claims and expenses. Claims can increase due to many factors, including increases in provider payment levels, increases in utilization, and the introduction of new technologies.

- **Premium oversight should be done in conjunction with insurer solvency oversight.** Premium oversight that focuses solely on the goal of limiting premium increases has the potential to ignore premium adequacy. If premiums or premium increases are held to levels at which health plans are unable to fully meet their commitments for claim payments, necessary administrative expenses, and reserve and capital funding, solvency problems could arise and plans could be forced to leave the market. Considering reform options that affect insurer solvency along with premium rating oversight will help ensure that premiums are adequate and plan solvency is maintained.
- **Premium oversight requires strong actuarial representation.** Actuaries and actuarial principles have key roles both in the premium-development process and in current regulatory oversight. Participation by actuaries in a formalized manner in any new regulatory oversight mechanisms will help ensure adherence to actuarial principles. In particular, actuaries have expertise in evaluating pricing risks as well as in identifying the potential volatility of such risks.
- **Appropriate RBC levels must be in place.** Current RBC formulas would need to be modified to recognize any additional risks brought about by a universal premium setting regulation. Currently, RBC requirements for health insurance business subject to state premium review are higher than for business not subject to premium review (generally, individual versus group business). This difference reflects the inability to secure state approval of adequate premiums on a timely basis in the individual market. If all individual and small-group business premiums are to be subject to review, RBC should be modified to reflect the increased risks borne by insurers due to delayed premium approval.
- **Premiums should be self supporting and not subsidized by other lines of business.** Requiring or expecting other lines of business to subsidize health insurance business would result in other policyholders subsidizing the medical costs of those with health insurance. It may also put an insurer that operates in only one market at a competitive disadvantage since it would not have another line of business from which to obtain subsidies.
- **The premium-review process should be transparent and equitable for all insurers.** Regardless of whether regulatory oversight is conducted at a federal or state level, insurers competing for the same participants must be subject to the same oversight process and rules. Deviation from such consistency would result in a less competitive marketplace.
- **The premium-review process should allow for adequate premiums that appropriately reflect past experience.** As described previously, if medical trend is larger than expected, then premiums for the coming year would need to be increased to reflect not only expected medical trend in the next year, but also any understatement of trend up to that point. If the prior year's premiums proved too conservative, then the premium increase would be less than it would be otherwise.

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Appendix A

March 2010 American Academy of Actuaries Article

If insurers are not allowed to incorporate these kinds of adjustments, they will set premiums more conservatively.

- **The premium-review process needs to be coordinated between state and federal regulatory entities.** In most circumstances, premiums in the individual market are filed for “approval” purposes and premiums in the group market are filed for “informational” purposes. Requiring full state and federal review and approval of all individual and small group premiums would significantly increase a state’s workload. The resulting premium-review process must accommodate timely implementation of appropriate premium

increases. The timing of an approval is critical, since premium calculations are based on an expected effective date; if approval is delayed a premium shortfall will develop. If states become backlogged, a process should be established whereby after a certain period of time, premiums are deemed to be approved.

Furthermore, it would be inefficient to have an insurer’s request for a premium increase subject to both a state and federal approval process. Procedures should be put in place to clarify which regulatory entity has approval authority and the extent of that authority.

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CRITICAL ISSUES IN HEALTH REFORM

Minimum Loss Ratios

February 2010

AMERICAN ACADEMY of ACTUARIES

Policymakers are considering implementing federal minimum loss ratio requirements as part of broader health reform efforts. Loss ratios measure the benefits received by policyholders divided by the premiums paid, and are put forth as one dimension to measure value to consumers in the aggregate.

Although loss ratio minimums currently play a role in state health insurance regulation, the minimums suggested as part of federal health reform efforts are typically more stringent and broadly applicable and would impose stiffer penalties than those existing within the current regulatory framework. Whether such stricter loss ratio requirements can enhance value to policyholders depends on the implementation details. This paper highlights relevant issues that policymakers should consider when contemplating the inclusion of minimum loss ratio requirements as part of federal health reform.

Most states currently impose minimum loss ratio requirements.

Setting a minimum loss ratio requirement is one aspect of determining whether premiums are reasonable in relation to the policy benefits. Most states have minimum loss ratio requirements for health insurance plans in the individual market, but such requirements are rare in the group market. The National Association of Insurance Commissioners (NAIC) Model Regulation for Filing of Rates includes minimum loss ratio requirements, which are enforced through the state rate filing processes. Under the model regulation, all insurers must file prospective rates with the state insurance regulator for their individual market plans. Most states also require an actuarial certification that the rates for small group market plans comply with small group rating laws. The penalty in most states for not meeting the loss ratio minimums is that the insurance department will disapprove the rate filing.

Loss ratios vary by market segment.

Loss ratios vary across the different market segments. In particular, loss ratios for plans in the individual market will typically fall below those in the small group market, which in turn will fall below those in the large group market. Several factors contribute to these differences, including:

- **Compensation for bearing risk.** Due in part to relatively lower customer participation rates, the individual and small group markets have higher claims volatility risk than the large group market. As a result, insurers subject to this increased risk often require higher risk margins, leading to lower loss ratios.
- **Administrative expenses.** Administrative expenses are typically higher relative to premiums for individual and small group health insurance products than for large group products. One of the reasons for this is that, on average, benefit levels are lowest for customers in the individual market and highest for those in the large group market. These benefit differences are reflected in the premium levels. For example, the premium for an individual policy with a \$2,500 deductible will be lower than for the same policy with a \$500 deductible. Therefore, any expenses that are largely independent of the benefit design, such as benefit adjudication expenses, will be a higher share of premiums for plans in the individual market than in the large group market. Another reason for the loss ratio differences is that the individual and

ADDITIONAL RESOURCES

Market Reform Principles
http://www.actuary.org/pdf/health/market_reform_may09.pdf

Risk Pooling
http://www.actuary.org/pdf/health/pool_july09.pdf

Health Reform Now
http://www.actuary.org/issues/health_reform.asp



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Appendix B

February 2010 American Academy of Actuaries Article

small group markets also incur expenses not typically incurred in the large group market. For instance, agent and broker expenses included in the premiums for individual and small group market plans are typically undertaken by consultants and human resources staff for large group plans, and therefore not included in premiums. In addition, underwriting expenses related to risk assessment and risk classification are incurred to a greater extent in the individual market. Finally, any per-policy administrative expenses, such as the initial policy entry into the insurer's administrative systems, can be spread over more insureds in a large group policy than in a small group or individual policy. Because individuals exhibit greater turnover (lower persistency) than groups, expenses associated with issuance of a policy must be spread over a shorter timeframe.

Current health reform proposals include insurance market reforms and other provisions that could impact not only loss ratios, but also how they vary across market segments. For example, the establishment of health insurance exchanges for the individual and/or small group markets could lead to a reduced role for agents and brokers, leading to lower expenses and higher loss ratios for those market segments depending on the magnitude of the cost allocation for the exchange. A reduced role of underwriting in a reformed insurance market may also reduce administrative expenses, especially in the individual market, thereby increasing loss ratios. In addition, the use of risk adjusters or reinsur-

ance to spread risks across insurers would increase administrative expenses and reduce loss ratios.

Even if health reform provisions reduce some variation in loss ratios by market segment, some differences will remain (e.g., billing expenses). Therefore, it would be appropriate to vary any federal loss ratio requirements by market segment. Otherwise, significant market distortions could arise. For instance, insurers whose business is comprised mostly of large groups rather than individuals and small groups would find it easier to meet minimum loss ratio requirements. As a result, insurers that could not attract significant amounts of large group business could find it difficult to satisfy the loss ratio requirement and exit the market.

Many definitional issues arise when calculating loss ratios.

To calculate loss ratios, the value of benefits received by policyholders is divided by the premiums paid. However, there are myriad technical issues around how to define the benefits and premiums; different definitions may be appropriate for different purposes such as rate regulation or insurer solvency. When using loss ratios to ensure that insurance policies provide value to customers in the aggregate, the following issues should be considered in the calculation:

- **Incurred-basis versus paid-basis.** Premiums received from customers are intended to cover all valid claims incurred in a particular month or year, regardless of when the claim payments are actually made. In

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Appendix B

February 2010 American Academy of Actuaries Article

order to ensure consistency, the benefits value used in a loss ratio calculation should reflect claims on an incurred-basis, rather than a paid-basis. Allowing several months to pass between the end of the premium payment period and the calculation of the loss ratio would reduce inaccuracies caused by reporting lags and the claims adjudication process.

- **Cost containment expenses.** An NAIC regulation defines the concept of cost containment expenses, which are amounts that the insurer spends in order to manage the cost of medical claims.¹ These expenses include case management, disease management, 24-hour nurse hotlines, wellness programs, provider network development, as well as fraud detection and prevention programs. As these expenditures are more akin to benefits than administrative expenses or provisions for risk, it would be appropriate to include cost containment expenses as part of the value of benefits in the loss ratio calculation. Including these expenses in the loss ratio calculation encourages insurers to effectively manage the quality, efficiency, and cost of care for policyholders.
- **Capitation payments.** Provider capitation arrangements may include the provider assuming the responsibility of paying the claims (and other member services). It would be difficult to segment administrative services out of the capitation for the purposes of meeting a minimum loss ratio, but an insurer could manipulate the loss ratio if segmentation is not performed. For example, instead of paying \$85 for health care claims and \$4 to settle those claims, an insurer pays a capitation payment of \$89 to a provider group and it settles the claims. Both transactions are essentially the same but the loss ratio could be very different.
- **Premium taxes.** The actual premium rates charged reflect any premium taxes levied by the state. Premium tax rates vary by state, and in some states by insurer (e.g., insurers domiciled in that state pay one rate while out-of-state insurers pay a higher rate). To make the loss ratio calculation comparable across insurers, it would be appropriate to subtract premium taxes from the value of premiums used in the loss ratio calculation.
- **Income taxes.** Health insurers, excluding some HMOs, are subject to federal income taxes, which are passed through to premiums. To make the loss ratio calculation comparable across all insurers, it would be appropriate to subtract federal income taxes paid from the premiums used in the loss ratio calculation.
- **Reinsurance and risk adjustment payments.** Both the benefits and the premium values in the loss ratio calculation should reflect any reinsurance programs and risk adjustment payments. Additional regulatory scrutiny may be required to ensure that reinsurance mechanisms are not used merely to avoid falling below the minimum required loss ratio.
- **Policy reserves.** With some health insurance policies, a portion of the premiums collected in the current year are intended to pre-fund claims incurred in future years. In these situations, the insurer records a liability, known as a policy reserve, on its balance sheet to reflect amounts collected from past premiums that are designed to pay claims in future periods. For products where policy reserves exist, the change in the policy reserve during the year needs to be added to the value of benefits in the loss ratio calculation.
- **Time period.** There is often significant seasonality in the manner in which medi-

¹The Statutory Statement of Accounting Principles (SSAP) No. 85, promulgated by the NAIC, stipulates that an insurer is not entitled to classify expenditures as being cost containment expenses unless it can support the contention that claims would have been higher if those expenditures had not been made.

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Appendix B

February 2010 American Academy of Actuaries Article

cal claims emerge within a coverage year, due in large part to benefit design issues. Therefore, loss ratio calculations should be based on an annual timeframe, rather than more frequently.

- **Geographic variances.** The current cost of health care has much greater geographic variation than the cost of providing administrative services—as such, it should be expected that loss ratios would vary by geography, such as higher loss ratios in metropolitan areas with high costs of health care and lower loss ratios in areas where the cost of health care is lower. Using a level minimum loss ratio across all regions could result in carriers focusing on markets where the cost of health care (and associated premiums) is higher and a loss ratio target is easier to achieve.

Unless a minimum loss ratio is specific with respect to risk levels, market segments, benefit designs, and geography, it will either be set at a level that is too high for many well-functioning insurers which will cause unnecessary disruption to the market, or be set at a level that is too low to achieve its goals.

Implementation of new medical loss ratio requirements must allow for adequate lag time.

From a practical standpoint, it would be difficult to impose a new minimum medical loss ratio requirement immediately after the enactment of such a policy change. Appropriate time would be necessary for plans to file new rates. Plans typically file their premiums six to 12 months before they become effective, and also need time prior to rate filing in order to develop the rates.

The agent and broker compensation structure would also make immediate implementation of a new medical loss ratio requirement difficult. As noted above, individual and small group market premiums include expenses to cover agent and broker compensation (e.g., fees and commissions), which contribute to the lower loss ratios in these markets. Under

typical agent and broker contracts, insurers agree to pay fees and commissions not only the initial year a policy is sold, but also each year that a policy is renewed. Achieving new higher medical loss ratio requirements for existing business will often depend on reducing agent and broker compensation, which is specified by contract. Re-negotiating these contracts for existing business would be very difficult, and would depend on the willingness of agents and brokers to accept lower compensation for business that has already been sold. New compensation rates would also need to be set for policies sold after the new requirements go into effect, which also would take time to negotiate.

In addition, much of the detailed calculation of the medical loss ratio will be left to regulatory development. Therefore, it is important that enough time be left between the enactment of the requirement and its implementation to allow the regulatory process to clarify the medical loss ratio definition before pricing decisions need to be made and filed.

The consequences of non-compliance may be difficult to implement.

Enforcing compliance of minimum loss ratios is fairly straightforward on the state level. In general, the penalty for falling below minimum loss ratio requirements is that the state insurance department will disapprove a rate filing. Federal minimum loss ratio requirements under consideration may require insurers to pay policyholder refunds if their loss ratios fall below the minimum. However, the optimal method of transferring the deficiency to policyholders is unclear, given the likelihood of turnover in the insurer's customer base between the period covered by the loss ratio calculation and the point in time at which the deficiency has been computed.

Minimum loss ratios will not address many public policy concerns.

In and of itself, imposing a minimum loss ratio requirement would not address many of

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Appendix B

February 2010 American Academy of Actuaries Article

the public policy concerns surrounding the health system. Minimum loss ratios do not help contain health care spending growth, ensure that health care services are appropriate and accurately billed, or address directly the quality and efficiency of health care services. Therefore, while a well-designed minimum loss ratio requirement may be an appropriate component of a federal health reform package, such requirements should not be viewed as a panacea. Moreover, monitoring compliance with loss ratio requirements may create additional costs for insurers and regulators and, depending on how the requirement is designed, could create insurance market disruptions or distortions that could affect consumers.

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Appendix C

Glossary of Key Terms

Comparison of basic underlying medical trend and product specific trend:

The total trend impacting a per member per month (i.e., PMPM) claims costs is made up of several components that will be described below:

- First, there is an underlying medical claims trend that is present in the cost of health care that may closely mirror the healthcare cost trend in the general population (for our current situation, this would be the entire population of California whether insured or not insured).
- However, this report deals with an insured population, which does not progress through time in the same way as the general population. All entrants to this population pass through a screen, referred to as underwriting, in an attempt to reduce the possibility of adverse or self-selection against the insuring entity.
- Actuarially, this is recognized in the pricing of a product by assuming that new business coming into the insurance pool will have a lower than the ultimately expected level of health care cost.
- However, this “underwriting effect” tends to wear off fairly quickly and the tendency will be for a block of new business to regress to the mean level of healthcare cost more reflective of the general population, all other things remaining equal.
- Unfortunately, in an insured population, all other things do not remain equal, especially in the case of an individual block of health insurance business. Each individual insured will continuously make decisions based on personal self-interest.
- All of the above factors and those below need to be actuarially estimated and recognized in the pricing of an individual health insurance product.

This includes the following “tendencies” present in of an insured population:

- Over time, there is a tendency for the healthy members to terminate (or lapse) their coverage much sooner than the less healthy members especially as premiums increase
- Over time, there is the additional tendency for the younger members, especially the healthy younger members, to terminate their coverage much sooner than the older members especially as premium increases
- As premiums increase over time, there is a tendency for members to move to plans that have greater out-of-pocket costs (i.e. especially

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Appendix C

Glossary of Key Terms

higher deductibles). This has a multiplicative effect on the costs within the insured population. First, there is a greater tendency for the more healthy members to choose the higher deductible plans, which causes the cost of healthcare to escalate much faster for the lower deductible plans (see first bullet above) and effect of deductible leveraging discussed below.

- An insured population will age faster than the general population. For example, every year each member that remains in the insured population becomes one year older. However, with the tendency of the younger member terminating faster than the older member, the average age of this population increases by more than one year each year. To the extent that the insuring entity is able to continue writing new business, this has the tendency to counter some of this aging. However, over time, the percent of new entrants into the insured population is a smaller and smaller percentage of the total and therefore has less and less of a counter-balancing effect on the overall insured population.

Deductible leveraging: Deductible leveraging describes the situation where an underlying inflationary trend rate increases as the deductible and other plan design characteristics increases. This is best illustrated using what is known as a claims probability distribution. A claims probability distribution is an actuarial tool used to model claims cost by size of claim. This tool can be used to demonstrate deductible leveraging, which has already been mentioned above.

Table 1 presents a portion of an illustrative claims probability distribution for claims between \$0 and \$10,964.86, where these claims amount represent the average claims for a range of annual claims payment amount per member. The first column is the probability of a claim, and the second column shows the size (or average) of that claim for the range.

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Appendix C

Glossary of Key Terms

Table 1
Extract of Claims Population Distribution

0.2579823	\$0.00
0.0787717	65.16
0.0885881	139.76
0.0640934	227.46
0.0516145	318.14
0.0422393	407.66
0.0347515	497.48
0.0535828	628.90
0.0396185	806.12
0.0306295	985.85
0.0243337	1,139.18
0.0199224	1,345.16
0.0165280	1,524.54
0.0138860	1,705.40
0.0267598	2,125.24
0.0443047	2,908.98
0.0302811	3,865.54
0.0175875	6,146.78
0.0122764	7,703.68
0.0091740	9,439.52
0.0071407	10,964.86

If underlying inflation is 15%, the amount column can be adjusted by multiplying by 1.15 and a new claims probability distribution created as shown in Table 2 below.

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Appendix C

Glossary of Key Terms

Table 2
Impact of 15% trending of Amounts

0.2579823	\$0.00	\$0.00
0.0787717	65.16	\$74.93
0.0885881	139.76	\$160.72
0.0640934	227.46	\$261.58
0.0516145	318.14	\$365.86
0.0422393	407.66	\$468.81
0.0347515	497.48	\$572.10
0.0535828	628.90	\$723.24
0.0396185	806.12	\$927.04
0.0306295	985.85	\$1,133.73
0.0243337	1,139.18	\$1,310.06
0.0199224	1,345.16	\$1,546.93
0.0165280	1,524.54	\$1,753.22
0.0138860	1,705.40	\$1,961.21
0.0267598	2,125.24	\$2,444.03
0.0443047	2,908.98	\$3,345.33
0.0302811	3,865.54	\$4,445.37
0.0175875	6,146.78	\$7,068.80
0.0122764	7,703.68	\$8,859.23
0.0091740	9,439.52	\$10,855.45
0.0071407	10,964.86	\$12,609.59

The third column of this table shows the new claims amounts resulting from applying the 15% assumed inflation factor. For example, the \$985.85 claim becomes \$1,133.73 after applying the 15% inflation factor.

In the case of a \$1,000 deductible, the only claims before the inflation greater than \$1,000 were above the \$985.85 level. After applying the inflation, the \$985.85 claim is now greater than \$1,000 also. So one more claim is now greater than \$1,000 increasing the claims pool in excess of the \$1,000 deductible. In addition, each of the other claims originally greater than \$1,000 is now even larger. Since the \$1,000 deductible that describes the coverage didn't increase with inflation, the value of the total claims above the \$1,000 deductible grow proportionately more than the 15% inflation might at first imply, since the new claim that was previously below \$1,000 and now above, is added to the claims pool. The combined effect of this increases the effective inflation at the \$1,000 deductible level to more than 15%.

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Appendix C

Glossary of Key Terms

In this situation, the effective inflation is approximately 17% or 13% greater than the 15%. This incremental effect on underlying inflation rates increases as the deductibles increase. The 15% can grow to more than 40% at very high deductibles.

Wearing off of underwriting: The concept known as “wearing off of underwriting” refers to the average morbidity of a population by policy year that has been recently underwritten. The underwriting questionnaire is designed to identify recent health conditions of applicants for insurance. If an individual passes the underwriting screen, they are eligible to enroll in the insurance plan. Those with serious health conditions fail the screen and are not permitted to enroll in the insurance plan. In a standard population, there are some individuals who have recently had claims and there are others who have not. Selecting out those without recent health care claims by definition chooses a population that has a better than average health status. Those with recent health care claims have a higher than average health cost. If an insured population is described as “standard,” it means that the actuarial expectation is that its average cost will be comparable to an average population. As time passes, there is the tendency that even individuals previously without health problems eventually will have some health care claims costs. Even the healthiest of individuals eventually has a claim. Also, many of those with previous claims may recover and go through a period without claims. Some of this process is fairly random. Within the population there are individuals with serious conditions, some acute and some chronic. These individuals would tend to have a higher morbidity or health status throughout the entire period. The underwriting process attempts to identify these individuals and exclude them from the population enrolling into the health program or at least charge them with higher substandard premium rates. As time passes, the wearing off of underwriting refers to the tendency that not only the originally clean freshly underwritten population eventually has claims but also that those more healthy than average eventually regress toward an average expectation.

Another factor impacting this is the average morbidity of the population interested in signing up for coverage. If this population is sicker than the

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Appendix C

Glossary of Key Terms

average population, the relative costs for this group will be higher than an average population. This situation is one example of the phenomenon called adverse selection, a result of selection bias (or self-interest on the part of prospective insureds). Selection bias occurs when people exert their “financial self interest” and choose to make choices that benefit themselves and to the detriment of the others in the pool of covered members. When an insurance company has a larger than normal portion of their enrollment with poor health status or higher than average morbidity, they call this adverse selection or anti-selection. When they enroll a healthier population this is called favorable selection or positive selection.

Selection bias: see above

Balancing of anticipated premium changes with changes in claims costs:

When analyzing the likely pattern of both claims and premiums by policy duration for a specific policy, it is clear that this requires careful balancing to minimize lapse rate and maximize the persistency of insurance policies. Claims patterns for specific blocks of individual health insurance, particularly those undergoing underwriting, often start off at a much lower (than average) initial level of claims (e.g., 50% - 60% of normative claims levels) and grow to much higher levels (i.e., as much as 120% or more of normative claims levels).

This growth is a result of several factors including:

- Wearing off of selection;
- Aging;
- Change in the benefit plan mix (e.g. higher deductible plans become more prevalent over time);
- Selection bias;
- Intensity of underwriting process;
- Inflation rates;
- Etc.

Premiums on the other hand are based upon a rating table, and are periodically adjusted as a result of inflationary trends. If attained age rating is in use, the premium increases at a minimum are based upon the year by year aging of the insured. The higher the rate increase from year to year, the

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Appendix C

Glossary of Key Terms

greater the chance the insured will lapse. Also the higher the premium rate, the lower the loss ratio. All of these factors have to be strategically balanced to be sure the loss ratio requirements of the jurisdiction are met, while also providing the carrier opportunity to make a profit and stay in business. If the premium rates from inception were to closely match the expected claims pattern of the initial entrants into the program, the annual rate increases would be very high. If the premium rates smooth and average out these changes the early duration loss ratios will be low, possibly placing the product in jeopardy in its ability to meet the state insurance regulatory requirements. Sophisticated actuarial modeling is used to create the ideal match of claims and premium trend increases in an attempt to balance these conflicting pressures.

Total Lifetime Loss Ratio (LLR): Loss ratios are defined as claims costs divided by premium. Often the numerator of this ratio includes loss adjustment expenses and other expenses incurred by an insurance company in an attempt to curtail some of the inflationary effects on health care costs. The total lifetime loss ratio is defined as the ratio of A to B where:

- A is the actuarial present value of health care claims costs over the anticipated lifetime of a defined block of health insurance business
- B is the actuarial present value of premium income over the anticipated lifetime of that defined block of health insurance business

The actuarial present value is determined using assumptions about actual historic (for the past) and anticipated future (for the future) regarding:

- Discount rate;
- Historical premium rates and anticipated future premium rates;
- Historical claims costs and anticipate future claims costs;
- Anticipated trend rates for claims and premiums, including the various factors discussed above that are expected to affect such trends

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Appendix C

Glossary of Key Terms

Some state regulators require all policies to meet a specific total lifetime loss ratio (e.g., 70%).

Future lifetime loss ratio (FLLR): This is similar to the total lifetime loss ratio except the calculation is based upon only the future time periods and excludes any historical information.

Retention: This is the amount or percent of premium that an insurance company retains to cover all non-claims expenses, such as administrative expenses, allocated overhead expenses, premium and other taxes, commissions and other selling/marketing costs, as well as to provide for a reasonable level of margin for profit and risk inherent in the business insured.

The Complement of Lifetime Loss Ratio : The complement of a ratio is defined as the quantity of one (1) minus that ratio. In the calculation of an LLR, the complement of the LLR can be viewed as an estimate of an insurance company's expected lifetime retention level.

Calendar year loss ratio: As discussed above, a loss ratio is defined as claims costs (plus possibly some other specific expenses) divided by premium income. A calendar year loss ratio is the loss ratio in a specific calendar year. Generally this would be an incurred loss ratio where the claims would be the estimated incurred claims for that calendar year as opposed to a paid loss ratio where claims are based upon paid claims in that calendar year. The recently passed health care reform bill includes provisions about measuring loss ratios as either calendar year or policy year loss ratios.

Lapse rate: Lapse rates attempt to estimate the probability that an insured will terminate a policy at any specific policy duration. Insurance companies frequently conduct lapse studies to measure lapse rates. This is generally a fairly straight-forward analysis. Information is gathered on all policy terminations and categorized as to how long it has been since the policy was written and in which policy duration the termination or lapse occurred. Lapse rates are critical assumptions in helping to understand the expected future lifetime of a specific product line and other key metrics such as total lifetime loss ratio. If lapse rates are higher than average, this suggests a shorter policy lifetime. If lapse rates are lower than average, this suggests a

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Appendix C

Glossary of Key Terms

longer policy lifetime. As premium increases and/or premium rates are higher than average, higher than average lapse rates are expected. Although not automatically included in lapse studies, the health status of the individuals terminating is key to understanding the extent of selection bias and adverse selection of a specific population.

Impact of a specific rate increase on a block of business: something to address the effectiveness of implementing a rate increase and looking at what actually happened to the block of business

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Appendix D

Projected Forward Claims Trends

Product-Specific Annual Claims Trends Per Experience Study

Projected Forward Claims Trends

Product-Specific Annual Claims Trends per Experience Study

(product-specific trends, including Deductible-Leveraging) (per Exh-4 data)

Calculated Experience Trends based on Normalized Claims Study * (normalized product-specific trends, including deductible leveraging)							Anthem Wtd Avg Ded. Leverag. Factors (E)	Projected Forward Trends Applied in Q4-2009 & 2010			
Anthem	Anthem (corrected)			AHP	AHP			Anthem	AHP	AHP	AHP
Orig	Revised	Applic	Annual	ignoring	adj for			Revised	Best Est.	Low	High
Trend	Calcul.	Months	Trend	Season	Season.			(Scen-2)	(Scen-4)	(Scen-6)	(Scen-8)
(A)			(B)	(C)	(D)			(F)	(G)	(H)	(I)
Product Specific Trends incl Ded. Lev.											
SmartS	18.7%	12.3%	11.47	12.9%	13.0%	13.6%	1.125	15.7%	15.2%	13.5%	16.9%
Share	21.0%	23.0%	11.85	23.3%	23.3%	23.6%	1.269	17.8%	17.1%	15.2%	19.0%
Right	17.7%	14.4%	11.95	14.4%	14.5%	14.5%	1.068	15.0%	14.4%	12.8%	16.0%
Tonik	19.5%	13.1%	11.90	13.2%	13.1%	12.9%	1.176	16.5%	15.9%	14.1%	17.6%
Saver	18.8%	17.8%	12.06	17.7%	17.5%	18.0%	1.132	15.8%	15.3%	13.6%	17.0%
CDHPMat	20.3%	29.7%	11.20	32.2%	33.8%	30.1%	1.221	17.1%	16.5%	14.7%	18.3%
CDHPNoM	20.3%	-14.5%	11.50	-15.1%	-13.7%	-8.5%	1.221	17.1%	16.5%	14.7%	18.3%
3500	20.8%	7.7%	11.91	7.8%	7.8%	7.3%	1.252	17.5%	16.9%	15.0%	18.8%
Total	19.8%	16.4%		16.7%	16.8%	16.8%	1.194	16.7%	16.1%	14.3%	17.9%
Underlying Medical Trend:	16.6%			14.0%	14.1%	14.1%		14.0%	13.5%	12.0%	15.0%

* The development of these trends (see separate appendix) was based on an experience study of claims experience by plan, after normalizing for changes in monthly risk factors for: overall plan benefits, plan-mix, claims index (duration factors), and with/without seasonality applied (e.g., attributed to CY deductible). These trends are before smoothing to adjust for variations in experience by plan (e.g., due to lower membership in some plans, etc.) (smoothing applied via (E))

See Appendix: Historical Trend Analysis (based on Exh-4 Data thru Aug-09 using Paid Clms thru Sep-09)

(A) based on Anthem orig method (all factors wtd by # mbr mos) (incl Prem Index; before changes for CDHP); non-annualized

(B) based on Anthem orig method, except adjusted for the following:

- adjustment applied to exclude Prem Index from calculated trend
- CDHP_nonMat adjusted to use 3500 Duration (Index) factors
- Plan Mix adjustment also applied for CDHP.
- calculated trends annualized based on wtd avg # mo's between periods

(C) based on AHP alternative approach for weighting using normalized premiums by mo (equiv to cumulative factor weights), without normalizing for seasonality.
 (D) AHP calculated trend, same as (C), but also including adjustment to normalize for benefits seasonality (e.g., deductibles) by month.
 (E) Anthem Wtd Avg Ded. Leverag. factors by policy form, to be applied to underlying medical trend (in covered allowable amts, before mbr cost-sharing)
 (F) & (G) Projected product-specific trends based on aggregate overall trend allocated by plan based on deductible-leveraging factors; these annual trends are converted to monthly trends, applied to the LR model to project claims from Q4-2009 through Dec 2012. The health, premium & claims trend are each reduced to the ultimate future annual trend rate (e.g., 8%) consistently for claims & premium (see separate discussion on sensitivity-testing of future-year trend rate).

Appendix E

Average Premium and Claim Index Factors By Year

SmartSense Scenario 1		Average Premium Index Factors by Year (based on weighted membership by duration)															Roll-Up of Monthly Projections to Totals by Year (Block A Only)	
Index Factors by Duration		Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index	
																	Factors by Year	
																	Prem	Cims
Premium		0.945	0.946	0.971	0.981	1.000	1.069	1.123	1.202	1.301	1.403	1.490	1.520	1.550	1.598			
Claims		0.675	0.826	0.973	0.992	1.000	1.089	1.186	1.356	1.608	1.810	1.847	1.884	1.921	2.202			
Membership Distribution by Duration (% Mbr Mos)																		
Pre 2008																	--	--
2008		49%	31%	16%	4%	0%										100%	0.951	0.782
2009		23%	21%	19%	16%	22%	0%									100%	0.968	0.883
2010		13%	12%	12%	12%	38%	11%	0%								100%	0.988	0.940
2011		3%	6%	8%	10%	36%	29%	9%	0%							100%	1.022	1.019
2012					0%	25%	35%	30%	10%	0%						100%	1.080	1.121
2013						0%	24%	36%	30%	10%	0%					100%	1.151	1.255
2014							0%	24%	36%	30%	10%	0%				100%	1.233	1.437
2015								0%	23%	35%	31%	11%	0%			100%	1.329	1.636
2016									0%	22%	35%	32%	11%	0%		100%	1.420	1.784
2017										0%	22%	35%	32%	11%	0%	100%	1.487	1.858
2018											0%	22%	35%	32%	11%	100%	1.531	1.923
2019												0%	22%	35%	43%	100%	1.564	2.034
2020													0%	22%	78%	100%	1.587	2.140
2021														0%	100%	100%	1.598	2.201
2022															100%	100%	1.598	2.202
2023															100%	100%	1.598	2.202
2024															100%	100%	1.598	2.202
2025															100%	100%	1.598	2.202

Note: Pre-2008 average durational factors are now shown since data on Mbrship Dist'n by duration was not complete (does not impact LLR calculation).

Share Scenario 1		Average Premium Index Factors by Year (based on weighted membership by duration)															Roll-Up of Monthly Projections to Totals by Year (Blocks A & B Combined)	
Index Factors by Duration		Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index	
																	Factors by Year	
																	Prem	Cims
Premium		0.901	0.904	0.913	0.929	1.000	1.103	1.224	1.330	1.385	1.403	1.431	1.459	1.488	1.522			
Claims		0.604	0.727	0.909	0.925	1.000	1.171	1.244	1.478	1.539	1.549	1.580	1.612	1.644	1.832			
Membership Distribution by Duration (% Mbr Mos)																		
Pre 2008		5%	4%	5%	7%	20%	16%	22%	13%	6%	0%	0%	0%	0%	2%	100%	--	--
2008		5%	5%	5%	5%	17%	16%	15%	18%	9%	3%	0%	0%	0%	2%	100%	1.147	1.186
2009		5%	5%	5%	5%	15%	13%	12%	12%	15%	7%	2%	0%	0%	2%	100%	1.169	1.216
2010		2%	2%	2%	4%	17%	13%	12%	11%	11%	14%	7%	2%	0%	2%	100%	1.217	1.292
2011		1%	1%	2%	2%	9%	15%	12%	11%	10%	11%	14%	7%	2%	2%	100%	1.274	1.373
2012					0%	5%	8%	15%	12%	11%	11%	11%	15%	8%	5%	100%	1.344	1.469
2013						0%	5%	8%	14%	11%	11%	11%	12%	16%	13%	100%	1.401	1.558
2014							0%	4%	7%	13%	11%	11%	11%	12%	29%	100%	1.442	1.634
2015								0%	4%	7%	13%	11%	11%	11%	42%	100%	1.468	1.685
2016									0%	4%	7%	13%	11%	11%	54%	100%	1.486	1.722
2017										0%	4%	7%	13%	11%	65%	100%	1.500	1.754
2018											0%	4%	7%	13%	76%	100%	1.510	1.783
2019												0%	4%	7%	90%	100%	1.518	1.811
2020													0%	4%	96%	100%	1.521	1.825
2021														0%	100%	100%	1.522	1.832
2022															100%	100%	1.522	1.832
2023															100%	100%	1.522	1.832
2024															100%	100%	1.522	1.832
2025															100%	100%	1.522	1.832

Note: Pre-2008 average durational factors are now shown since data on Mbrship Dist'n by duration was not complete (does not impact LLR calculation).

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Appendix E

Average Premium and Claim Index Factors By Year

3500

Scenario 1

Average Premium Index Factors by Year (based on weighted membership by duration)

Roll-Up of Monthly Projections to Totals by Year

(Blocks A & B Combined)

Index Factors by Duration

	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index	
Premium	0.912	0.927	0.936	0.951	1.000	1.079	1.133	1.213	1.313	1.416	1.504	1.534	1.564	1.613		Factors by Year	
Claims	0.575	0.678	0.823	0.863	1.000	1.300	1.416	1.620	1.920	2.162	2.205	2.249	2.294	2.630		Prem	Clims

Membership Distribution by Duration (% Mbr Mos)

	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index	
Pre 2008	14%	12%	10%	10%	29%	20%	5%								100%	--	--
2008	10%	10%	10%	9%	27%	21%	12%	2%							100%	1.008	1.015
2009	9%	8%	8%	7%	24%	19%	16%	9%	1%						100%	1.037	1.101
2010	7%	6%	6%	6%	22%	18%	15%	12%	7%	1%					100%	1.069	1.201
2011	2%	3%	4%	5%	20%	19%	16%	13%	11%	6%	1%				100%	1.119	1.355
2012				0%	13%	19%	19%	16%	13%	11%	7%	1%			100%	1.202	1.581
2013					0%	13%	19%	19%	16%	14%	12%	7%	1%		100%	1.283	1.779
2014						0%	13%	19%	18%	16%	14%	12%	7%	1%	100%	1.362	1.952
2015							0%	12%	18%	18%	16%	14%	12%	8%	100%	1.438	2.126
2016								0%	12%	18%	18%	17%	15%	21%	100%	1.502	2.272
2017									0%	11%	18%	18%	17%	35%	100%	1.548	2.373
2018										0%	11%	18%	18%	52%	100%	1.577	2.450
2019											0%	11%	18%	70%	100%	1.595	2.525
2020												0%	11%	88%	100%	1.607	2.591
2021													0%	100%	100%	1.613	2.629
2022														100%	100%	1.613	2.630
2023														100%	100%	1.613	2.630
2024														100%	100%	1.613	2.630
2025														100%	100%	1.613	2.630

Note: Pre-2008 average durational factors are now shown since data on Mbrship Dist'n by duration was not complete (does not impact LLR calculation).

Average Premium Index Factors by Year (based on weighted membership by duration)

Roll-Up of Monthly Projections to Totals by Year

(Blocks A & B Combined)

CDHP w/ Mat

Scenario 1

Index Factors by Duration

	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index	
Premium	0.901	0.904	0.913	0.929	1.000	1.103	1.224	1.330	1.385	1.403	1.431	1.459	1.488	1.522		Factors by Year	
Claims	0.604	0.727	0.909	0.925	1.000	1.171	1.244	1.478	1.539	1.549	1.580	1.612	1.644	1.832		Prem	Clims

Membership Distribution by Duration (% Mbr Mos)

	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index	
Pre 2008	43%	35%	21%	0%											100%	--	--
2008	28%	24%	20%	15%	14%										100%	0.922	0.796
2009	14%	15%	15%	15%	34%	6%									100%	0.954	0.887
2010	11%	9%	9%	8%	37%	23%	4%								100%	1.000	0.967
2011	3%	5%	7%	8%	27%	29%	19%	3%							100%	1.063	1.073
2012				0%	21%	26%	30%	19%	4%						100%	1.170	1.228
2013					0%	20%	26%	30%	20%	4%					100%	1.268	1.368
2014						0%	20%	26%	30%	20%	4%				100%	1.343	1.467
2015							0%	19%	25%	30%	21%	4%			100%	1.392	1.542
2016								0%	18%	25%	31%	22%	4%		100%	1.424	1.575
2017									0%	18%	25%	31%	22%	4%	100%	1.451	1.609
2018										0%	18%	25%	31%	26%	100%	1.480	1.674
2019											0%	18%	25%	57%	100%	1.502	1.745
2020												0%	18%	82%	100%	1.516	1.798
2021													0%	100%	100%	1.522	1.831
2022														100%	100%	1.522	1.832
2023														100%	100%	1.522	1.832
2024														100%	100%	1.522	1.832
2025														100%	100%	1.522	1.832

Note: Pre-2008 average durational factors are now shown since data on Mbrship Dist'n by duration was not complete (does not impact LLR calculation).

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Appendix E

Average Premium and Claim Index Factors By Year

**Tonik
Scenario 1**

Average Premium Index Factors by Year (based on weighted membership by duration)
Roll-Up of Monthly Projections to Totals by Year
(Blocks A & B Combined)

(on Medical Portion)

Index Factors by Duration															Total	Wtd Avg Index	
	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+		Prem	Clms
Premium	0.945	0.946	0.971	0.981	1.000	1.069	1.123	1.202	1.301	1.403	1.490	1.520	1.550	1.598			
Claims	0.675	0.826	0.973	0.992	1.000	1.089	1.186	1.356	1.608	1.810	1.847	1.884	1.921	2.202			
Membership Distribution by Duration (% Mbr Mos)															Total	--	
Pre 2008	14%	13%	11%	13%	32%	17%	0%								100%	1.008	0.983
2008	8%	10%	10%	10%	34%	22%	6%	0%							100%	1.040	1.038
2009	7%	6%	5%	5%	28%	26%	17%	5%	0%						100%	1.057	1.064
2010	11%	9%	7%	6%	15%	18%	18%	12%	4%	0%					100%	1.089	1.153
2011	3%	5%	7%	8%	23%	11%	15%	15%	10%	3%	0%				100%	1.165	1.303
2012				0%	22%	22%	11%	15%	15%	11%	3%	0%			100%	1.328	1.587
2013					0%	20%	22%	11%	15%	16%	12%	4%	0%		100%	1.249	1.449
2014						0%	19%	21%	11%	15%	17%	12%	4%	0%	100%	1.328	1.587
2015							0%	19%	20%	11%	16%	17%	13%	4%	100%	1.404	1.731
2016								0%	18%	20%	11%	16%	18%	17%	100%	1.472	1.875
2017									0%	17%	20%	11%	16%	35%	100%	1.525	1.979
2018										0%	17%	20%	11%	51%	100%	1.558	2.044
2019											0%	17%	20%	62%	100%	1.574	2.090
2020												0%	17%	83%	100%	1.589	2.153
2021													0%	100%	100%	1.598	2.202
2022														100%	100%	1.598	2.202
2023														100%	100%	1.598	2.202
2024														100%	100%	1.598	2.202
2025														100%	100%	1.598	2.202

Note: Pre-2008 average durational factors are now shown since data on Mbrship Dist'n by duration was not complete (does not impact LLR calculation).

**CDHP No Mat
Scenario 1**

Average Premium Index Factors by Year (based on weighted membership by duration)
Roll-Up of Monthly Projections to Totals by Year
(Blocks A Only)

Index Factors by Duration															Total	Wtd Avg Index	
	Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+		Prem	Clms
Premium	0.912	0.927	0.936	0.951	1.000	1.079	1.133	1.213	1.313	1.416	1.504	1.534	1.564	1.613			
Claims	0.575	0.678	0.823	0.863	1.000	1.300	1.416	1.620	1.920	2.162	2.205	2.249	2.294	2.630			
Membership Distribution by Duration (% Mbr Mos)															Total	--	
Pre 2008	100%														100%	0.923	0.662
2008	47%	32%	16%	5%	0%										100%	0.945	0.778
2009	24%	21%	18%	15%	22%	0%									100%	0.970	0.879
2010	16%	14%	13%	12%	35%	10%	0%								100%	1.011	1.041
2011	3%	7%	9%	11%	37%	25%	8%	0%							100%	1.081	1.269
2012				0%	28%	37%	26%	8%	0%						100%	1.153	1.476
2013					0%	28%	37%	26%	8%	0%					100%	1.233	1.685
2014						0%	28%	37%	26%	8%	0%				100%	1.328	1.924
2015							0%	28%	37%	27%	8%	0%			100%	1.422	2.115
2016								0%	27%	37%	27%	9%	0%		100%	1.493	2.213
2017									0%	26%	37%	27%	9%	0%	100%	1.541	2.283
2018										0%	26%	37%	27%	36%	100%	1.574	2.403
2019											0%	26%	37%	73%	100%	1.600	2.540
2020												0%	26%	100%	100%	1.613	2.629
2021														100%	100%	1.613	2.630
2022														100%	100%	1.613	2.630
2023														100%	100%	1.613	2.630
2024														100%	100%	1.613	2.630
2025														100%	100%	1.613	2.630

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Appendix E

Average Premium and Claim Index Factors By Year

		Average Premium Index Factors by Year (based on weighted membership by duration)															
Right		Roll-Up of Monthly Projections to Totals by Year															
Scenario 1		(Blocks A & B Combined)															
Index Factors by Duration		Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index
Premium		0.945	0.946	0.971	0.981	1.000	1.069	1.123	1.202	1.301	1.403	1.490	1.520	1.550	1.598		Factors by Year
Claims		0.675	0.826	0.973	0.992	1.000	1.089	1.186	1.356	1.608	1.810	1.847	1.884	1.921	2.202		Prem Clms
Membership Distribution by Duration (% Mbr Mos)																	
Pre 2008		8%	7%	6%	7%	24%	28%	19%	1%							100%	-- --
2008		5%	6%	6%	6%	22%	23%	24%	8%	0%						100%	1.053 1.064
2009		5%	5%	5%	4%	17%	17%	19%	21%	7%	0%					100%	1.090 1.138
2010		3%	3%	3%	4%	15%	14%	15%	17%	18%	7%	0%				100%	1.139 1.249
2011		1%	2%	3%	3%	11%	13%	13%	14%	16%	18%	7%	0%			100%	1.202 1.374
2012					0%	7%	10%	13%	13%	14%	16%	19%	7%	0%		100%	1.287 1.519
2013						0%	7%	10%	13%	12%	14%	17%	20%	7%	0%	100%	1.363 1.646
2014							0%	6%	9%	12%	12%	14%	18%	21%	8%	100%	1.432 1.774
2015								0%	6%	9%	12%	12%	14%	18%	29%	100%	1.491 1.912
2016									0%	6%	9%	12%	13%	14%	47%	100%	1.535 2.012
2017										0%	5%	9%	12%	13%	61%	100%	1.562 2.077
2018											0%	5%	9%	12%	74%	100%	1.579 2.122
2019												0%	5%	9%	86%	100%	1.589 2.160
2020													0%	5%	94%	100%	1.595 2.187
2021														0%	100%	100%	1.598 2.202
2022															100%	100%	1.598 2.202
2023															100%	100%	1.598 2.202
2024															100%	100%	1.598 2.202
2025															100%	100%	1.598 2.202

Note: Pre-2008 average durational factors are now shown since data on Mbrship Dist'n by duration was not complete (does not impact LLR calculation).

		Average Premium Index Factors by Year (based on weighted membership by duration)															
Saver		Roll-Up of Monthly Projections to Totals by Year															
Scenario 1		(Blocks A & B Combined)															
Index Factors by Duration		Qtr-1	Qtr-2	Qtr-3	Qtr-4	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Yrs11+	Total	Wtd Avg Index
Premium		0.945	0.946	0.971	0.981	1.000	1.069	1.123	1.202	1.301	1.403	1.490	1.520	1.550	1.598		Factors by Year
Claims		0.675	0.826	0.973	0.992	1.000	1.089	1.186	1.356	1.608	1.810	1.847	1.884	1.921	2.202		Prem Clms
Membership Distribution by Duration (% Mbr Mos)																	
Pre 2008		4%	4%	2%	3%	11%	15%	16%	19%	13%	13%					100%	-- --
2008		3%	3%	3%	3%	10%	12%	14%	17%	15%	11%	9%				100%	1.188 1.335
2009		5%	4%	3%	2%	8%	8%	10%	13%	15%	13%	10%	8%			100%	1.225 1.399
2010		2%	3%	3%	4%	11%	7%	7%	9%	11%	14%	12%	9%	7%		100%	1.265 1.470
2011		0%	1%	1%	2%	10%	10%	6%	8%	11%	14%	14%	13%	10%	7%	100%	1.328 1.589
2012					0%	3%	9%	9%	6%	6%	9%	12%	15%	13%	18%	100%	1.394 1.715
2013						0%	3%	9%	9%	6%	6%	9%	12%	15%	31%	100%	1.450 1.833
2014							0%	3%	8%	8%	6%	6%	9%	12%	48%	100%	1.496 1.947
2015								0%	3%	8%	8%	6%	6%	9%	60%	100%	1.533 2.036
2016									0%	2%	8%	8%	6%	6%	70%	100%	1.559 2.093
2017										0%	2%	8%	8%	6%	76%	100%	1.576 2.123
2018											0%	2%	8%	8%	82%	100%	1.585 2.146
2019												0%	2%	8%	90%	100%	1.592 2.173
2020													0%	2%	98%	100%	1.597 2.196
2021														0%	100%	100%	1.598 2.202
2022															100%	100%	1.598 2.202
2023															100%	100%	1.598 2.202
2024															100%	100%	1.598 2.202
2025															100%	100%	1.598 2.202

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Appendix F

Summary of Adjustment to Historical (Starting) Trend Factor By Plan

**Summary of Adjustment to Historical (Starting) Trend Factor by Plan
to Reflect Actual / Known Trend in Risk (Clms Dur & Plan Mix) applicable from Base PMPM Period to Sept-09**

		SmartS	Share	Right	Tonik	Saver	CDHPMat	CDHPNoM	3500
Unadjusted Starting Trend Factor									
Orig Anthem Starting Trend Factor		1.297	1.275	1.224	1.129	1.259	1.466	1.043	1.165
Annualized		1.313	1.279	1.225	1.130	1.257	1.507	1.044	1.166
# Mo's (wtd) from PMPM Base to Sept-09		8.55	9.66	9.71	9.81	9.67	8.90	8.29	9.41
Factor Applic from PMPM Base to Sept-09	(A)	1.214	1.219	1.178	1.105	1.203	1.356	1.030	1.128
Applic Adjustment to reflect Actual / known trend*									
Previous Trend in Risk (Clms Dur & Plan-Mix)		1.113	1.030	1.056	1.006	1.054	1.102	1.154	1.064
Known Trend in Risk (Clms Dur & Plan-Mix)		1.029	1.016	1.057	1.016	1.023	1.080	1.108	1.052
Adjusted Total Trend Factor									
From PMPM Base to Sept-09	(B)	1.122	1.203	1.179	1.116	1.167	1.328	0.989	1.116
Annualized		1.175	1.258	1.226	1.144	1.211	1.466	0.985	1.150
% Change in Starting PMPM resulting from adjustment to incorporate known risk factor trend:	(B / A) - 1	-7.6%	-1.3%	0.1%	1.0%	-2.9%	-2.0%	-4.0%	-1.1%

NOTES:

This summarizes the calculated adjustments to the starting trend rates by plan that are applied in the LLR forecasts to obtain the month-1 projected PMPM claims costs based on the average PMPM claims cost from the Base period cost.

Specifically, this shows the adjustments by plan to the measured/historical trends in order to reflect the actual / known change in claims risk factors (i.e., claims index and claims index plan-mix) that occurred between the base period used for historical claims (e.g., 6/08 - 5/09) and Sept-09.

This recognizes that these risk factors (especially claims duration) do not change uniformly over time for the block, and thus uses the known applicable change in such risk factors over the applicable trend period, rather than assuming the level of change in these factors will replicate the change measured in the earlier trend period. For example, this would adjust to recognize any slowing in rate of increase in the average claims duration over time (e.g., Smart Sense), or conversely, any acceleration. As indicated, the change is most pronounced for SmartSense & CDHP-NonMat, where the deceleration is the rate of increase in Claims Duration factors is the greatest, due to the fact that these blocks are still relatively new (i.e., still early in the claims duration curve).

This is only an issue for projecting the Sept-09 starting claims cost, since actual monthly changes in the risk factors (claims duration) are factored into projected PMPM claims costs in the LLR projection models, for all months thereafter.

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Appendix G

Historical Trend Analysis

Historical Trend Analysis - Totals by Plan (based on Exh-4 Data)

SmartSense	Monthly Claims Risk Factors									Nzd Clms except Still Incl. Seasonality						Fully Normalized Claims for Trend					
	Incd Clms		Ben. Fact.	Plan Mix	Clms Dur.	Qtrly Seas.	SubT excl Seas.	Total incl Seas.	(n/a) Prem Dur.	PMPM per Month	Rolling 12-mo Wtd Avg					PMPM per Month	Rolling 12-mo Wtd Avg				
	Mbr Mos	PMPM									Midpt	PMPM	P-to-P Trend	Trend Mo's	Annual Trend		Midpt	PMPM	P-to-P Trend	Trend Mo's	Annual Trend
Dec-07	745	62.02	1	0.99	0.67	1.06	0.67	0.71	0.95	92.81						87.25					
Jan-08	4,112	71.37	1	0.98	0.67	0.96	0.66	0.63	0.95	107.77						112.775					
Feb-08	10,841	39.15	1	0.98	0.67	0.96	0.66	0.63	0.95	59.18						61.933					
Mar-08	22,194	44.73	1	0.98	0.68	0.96	0.67	0.64	0.95	66.65						69.750					
Apr-08	33,199	53.92	1	0.99	0.70	0.98	0.69	0.67	0.95	78.26						79.97					
May-08	43,559	79.38	1	0.99	0.72	0.98	0.71	0.69	0.95	112.10						114.54					
Jun-08	52,912	67.53	1	0.99	0.74	0.98	0.73	0.72	0.95	92.02						94.02					
Jul-08	64,008	67.75	1	0.99	0.76	1.00	0.75	0.76	0.95	89.87						89.68					
Aug-08	74,713	64.20	1	0.99	0.78	1.00	0.77	0.77	0.95	83.24	6/13/08	88.01				83.07	6/13/08	89.18			
Sep-08	84,119	66.54	1	0.99	0.80	1.00	0.79	0.79	0.95	84.05	7/3/08	87.15				83.88	7/3/08	88.04			
Oct-08	92,296	69.28	1	0.99	0.82	1.06	0.81	0.86	0.95	85.40	7/23/08	86.82				80.29	7/23/08	86.56			
Nov-08	99,125	68.25	1	0.99	0.84	1.06	0.83	0.88	0.96	82.13	8/12/08	86.02				77.22	8/12/08	84.97			
Dec-08	105,131	84.47	1	0.99	0.85	1.06	0.84	0.90	0.96	100.23	8/31/08	88.19				94.23	8/31/08	86.38			
Jan-09	112,055	75.20	1	0.99	0.86	0.96	0.85	0.82	0.96	88.09	9/21/08	88.07				92.18	9/21/08	87.06			
Feb-09	120,226	69.53	1	0.99	0.87	0.96	0.86	0.82	0.96	80.80	10/13/08	87.45				84.56	10/13/08	87.03			
Mar-09	131,516	88.69	1	0.98	0.86	0.96	0.85	0.81	0.96	104.66	11/7/08	90.14				109.52	11/7/08	90.33			
Apr-09	138,424	75.73	1	0.97	0.87	0.98	0.84	0.83	0.96	89.71	12/3/08	90.44				91.66	12/3/08	90.80			
May-09	143,517	84.96	1	0.97	0.88	0.98	0.85	0.83	0.97	100.27	12/29/08	90.83				102.45	12/29/08	91.33			
Jun-09	147,460	91.26	1	0.96	0.88	0.98	0.85	0.83	0.97	107.56	1/25/09	92.66				109.90	1/25/09	93.30			
Jul-09	152,721	82.69	1	0.96	0.89	1.00	0.85	0.85	0.97	97.50	2/22/09	93.31				97.30	2/22/09	93.91			
Aug-09	158,393	84.10	1	0.95	0.89	1.00	0.85	0.85	0.97	99.11	3/22/09	94.44	7.3%	9.3	9.6%	98.91	3/22/09	94.98	6.5%	9.3	8.5%
Sep-09			1	0.95	0.89	1.00					(For SmartSense, using rolling 6-month avg approach instead, per limited history)										
Oct-09	LLR forecasts Clms Dur factors																				
Nov-09	but assumes Ben+Plan remain at 8/09 level																				
Dec-09																					

Historical Trend		Original Anthem Approach (before annualization)						
3/08 - 8/08	290585	65.20	1.00	0.99	0.742	0.99	0.73	0.73
3/09 - 8/09	872031	84.57	1.00	0.97	0.878	0.98	0.85	0.83
		1.297	1.00	0.98	1.184	1.00	1.155	1.149
Orig U/L Trend (incl Ded Leveg.)							12.3%	

AHP Altern Approach before Season. Adj.						AHP Altern Approach incl Normaliz. for Seas.					
6/20/08	88.79					6/20/08	89.87				
6/4/09	99.79	12.4%	11.5	13.0%		6/4/09	101.52	13.0%	11.5	13.6%	

Historical Base PMPM vs Sept-09: Calc Known/Actual trend in Risk Factors									
6/08 - 5/09	1218042	75.09	1.00	0.99	0.84	1.00	0.83	0.82	
Sept-09			1.00	0.95	0.89	1.00	0.85	0.85	
							1.029	1.034	

```
midpt= 12/29/08
midpt= 9/16/09
mo's trend: 8.55
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Calc. Adjustment to Historical (Starting) Trend Factor to reflect Actual / known						
Trend in Risk (Clms Dur & Plan Mix) apply from Base PMMP Period to Sept-10						
		Unadjusted		Hist.	Known	Adj
		# Mos	Total	Risk	Risk	Total
8	Orig Anthem	11.47	1.297	1.155		
9	Annualize	12.00	1.313	1.162		
	Base Period to Sept-09	8.55	1.214	1.113	1.029	1.122
	Adj. Annualized Total:					1.175

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Appendix G Historical Trend Analysis

Historical Trend Analysis - Totals by Plan (based on Exh-4 Data)

Share	Monthly Claims Risk Factors								(n/a) Prem Dur.	Nzd Clms except Still Incl. Seasonality						Fully Normalized Claims for Trend								
	Mbr Mos	Incd Clms PMPM	Ben. Fact.	Plan Mix	Clms Dur.	Qtyrly Seas.	SubT excl Seas.	Total incl Seas.		PMPM per Month	Rolling 12-mo Wtd Avgs					PMPM per Month	Rolling 12-mo Wtd Avgs							
											Midpt	PMPM	P-to-P Trend	Trend Mo's	Annual Trend		Midpt	PMPM	P-to-P Trend	Trend Mo's	Annual Trend			
Jan-07	129,980	93.06	1	0.86	1.09	0.90	0.94	0.84	1.08	99.11	8/2/06	101.71				110.57	8/2/06	101.68						
Feb-07	130,333	80.98	1	0.86	1.09	0.90	0.94	0.84	1.08	86.07	9/1/06	101.71				96.03	9/1/06	101.75						
Mar-07	131,350	98.94	1	0.86	1.09	0.90	0.94	0.85	1.09	104.90	10/1/06	101.83				117.03	10/1/06	101.92						
Apr-07	131,340	107.48	1	0.86	1.11	0.99	0.95	0.95	1.10	112.66	10/31/06	104.22				113.53	10/31/06	104.33						
May-07	131,097	95.78	1	0.86	1.12	0.99	0.96	0.95	1.11	99.59	12/1/06	104.53				100.36	12/1/06	104.64						
Jun-07	130,571	103.71	1	0.86	1.12	0.99	0.97	0.96	1.11	107.24	12/31/06	104.64				108.07	12/31/06	104.75						
Jul-07	130,003	112.76	1	0.86	1.13	1.01	0.97	0.98	1.11	116.10	1/30/07	106.49				114.64	1/30/07	106.58						
Aug-07	129,573	133.58	1	0.86	1.13	1.01	0.98	0.99	1.11	136.89	3/1/07	108.49				135.17	3/1/07	108.56						
Sep-07	128,837	110.60	1	0.86	1.14	1.01	0.98	0.99	1.12	112.69	4/1/07	109.90				111.27	4/1/07	109.95						
Oct-07	128,594	139.40	1	0.86	1.14	1.10	0.98	1.08	1.12	141.65	5/1/07	113.36				128.94	5/1/07	113.11						
Nov-07	128,180	119.97	1	0.86	1.14	1.10	0.99	1.08	1.12	121.69	5/31/07	112.27				110.77	5/31/07	112.13						
Dec-07	127,469	128.14	1	0.86	1.15	1.10	0.99	1.09	1.12	129.53	6/30/07	113.92	13.2%	11.9	13.3%	117.91	6/30/07	113.66	13.2%	11.9	13.3%			
Jan-08	126,337	111.02	1	0.86	1.15	0.90	0.99	0.89	1.12	111.82	7/30/07	114.99	13.1%	11.9	13.2%	124.75	7/30/07	114.82	12.9%	11.9	13.0%			
Feb-08	125,411	99.28	1	0.86	1.16	0.90	1.00	0.90	1.13	99.34	8/30/07	116.15	14.2%	11.9	14.3%	110.83	8/30/07	116.08	14.1%	11.9	14.2%			
Mar-08	126,791	109.77	1	0.86	1.17	0.90	1.01	0.90	1.14	109.13	9/29/07	116.53	14.4%	11.9	14.5%	121.75	9/29/07	116.46	14.3%	11.9	14.4%			
Apr-08	126,296	125.31	1	0.86	1.17	0.99	1.01	1.00	1.14	123.82	10/30/07	117.46	12.7%	11.9	12.8%	124.78	10/30/07	117.39	12.5%	11.9	12.6%			
May-08	125,326	123.04	1	0.86	1.18	0.99	1.02	1.01	1.15	121.11	11/29/07	119.29	14.1%	11.9	14.2%	122.05	11/29/07	119.23	13.9%	11.9	14.0%			
Jun-08	124,236	125.53	1	0.86	1.19	0.99	1.02	1.01	1.15	122.84	12/30/07	120.61	15.3%	12.0	15.3%	123.79	12/30/07	120.55	15.1%	12.0	15.1%			
Jul-08	123,185	114.43	1	0.86	1.19	1.01	1.03	1.04	1.15	111.57	1/29/08	120.26	12.9%	12.0	13.0%	110.16	1/29/08	120.22	12.8%	12.0	12.8%			
Aug-08	122,103	129.01	1	0.86	1.20	1.01	1.03	1.04	1.15	125.25	2/28/08	119.24	9.9%	12.0	9.9%	123.67	2/28/08	119.22	9.8%	12.0	9.9%			
Sep-08	120,708	136.25	1	0.86	1.21	1.01	1.04	1.05	1.16	131.21	3/30/08	120.76	9.9%	12.0	9.9%	129.56	3/30/08	120.73	9.8%	12.0	9.8%			
Oct-08	119,628	142.08	1	0.86	1.21	1.10	1.04	1.15	1.16	136.25	4/29/08	120.20	6.0%	12.0	6.1%	124.02	4/29/08	120.28	6.3%	12.0	6.4%			
Nov-08	118,553	151.35	1	0.86	1.21	1.10	1.05	1.15	1.16	144.70	5/29/08	122.03	8.7%	12.0	8.7%	131.71	5/29/08	122.02	8.8%	12.0	8.8%			
Dec-08	117,401	153.32	1	0.86	1.22	1.10	1.05	1.15	1.16	146.27	6/29/08	123.31	8.2%	12.0	8.3%	133.14	6/29/08	123.26	8.4%	12.0	8.5%			
Jan-09	116,491	124.80	1	0.86	1.22	0.90	1.05	0.94	1.16	119.10	7/29/08	123.96	7.8%	12.0	7.8%	132.87	7/29/08	123.89	7.9%	12.0	7.9%			
Feb-09	116,645	130.55	1	0.86	1.21	0.90	1.04	0.93	1.16	125.18	8/28/08	126.18	8.6%	12.0	8.7%	139.66	8/28/08	126.28	8.8%	12.0	8.8%			
Mar-09	112,410	146.70	1	0.86	1.20	0.90	1.03	0.93	1.16	142.09	9/27/08	128.92	10.6%	12.0	10.7%	158.52	9/27/08	129.19	10.9%	12.0	11.0%			
Apr-09	108,171	153.06	1	0.86	1.20	0.99	1.03	1.02	1.16	148.56	10/27/08	130.86	11.4%	11.9	11.5%	149.71	10/27/08	131.13	11.7%	11.9	11.8%			
May-09	105,870	156.54	1	0.86	1.20	0.99	1.03	1.02	1.17	151.77	11/26/08	133.30	11.7%	11.9	11.8%	152.94	11/26/08	133.59	12.0%	11.9	12.1%			
Jun-09	104,097	183.52	1	0.86	1.20	0.99	1.04	1.03	1.17	177.08	12/25/08	137.53	14.0%	11.9	14.2%	178.45	12/25/08	137.84	14.3%	11.9	14.5%			
Jul-09	102,650	189.25	1	0.86	1.21	1.01	1.04	1.05	1.17	181.86	1/24/09	143.21	19.1%	11.9	19.3%	179.57	1/24/09	143.48	19.3%	11.9	19.6%			
Aug-09	101,127	175.29	1	0.86	1.22	1.01	1.05	1.06	1.17	167.70	2/23/09	146.69	23.0%	11.9	23.3%	165.59	2/23/09	146.94	23.3%	11.9	23.6%			
Sep-09			1	0.86	1.22	1.01																		
Oct-09			LLR forecasts Clms Dur factors																					
Nov-09			but assumes Ben+Plan remain at 8/09 level																					
Dec-09																								

Historical Trend		Original Anthem Approach (before annualization)							
9/07 - 8/08	1512765	119.63	1.00	0.86	1.16	1.00	1.00	1.00	
9/08 - 8/09	1343751	152.58	1.00	0.86	1.21	1.00	1.04	1.04	
		1.275	1.00	1.00	1.04	1.00	1.037	1.037	
		Orig U/L Trend (incl Ded Leveg.)							23.0%

AHP Altern Approach before Season. Adj.							
	2/28/08	119.24					
	2/23/09	146.69	23.0%	11.9	23.3%		

AHP Altern Approach incl Normaliz. for Seas.							
	2/28/08	119.22					
	2/23/09	146.94	23.3%	11.9	23.6%		

Calc. Adjustment to Historical (Starting) Trend Factor to reflect Actual / known Trend in Risk (Clms Dur & Plan Mix) applic from Base PMPM Period to Sept-10									
		Unadjusted		Hist.	Known	Adj			
		# Mos	Total	Risk	Risk	Total			
Orig Anthem		11.85	1.275	1.037					
Annualize		12.00	1.279	1.037					
Base Period to Sept-09		9.66	1.219	1.030	1.016	1.203			
Adj. Annualized Total:						1.258			

Historical Base PMPM vs Sept-09: Calc Known/Actual trend in Risk Factors									
6/08 - 5/09	1405401	138.19	1.00	0.86	1.20	1.00	1.04	1.04	
Sep-09			1.00	0.86	1.22	1.01	1.05	1.07	
							1.016	1.028	

midpt=	11/26/08
mo's trend:	9.66

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Appendix G Historical Trend Analysis

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Historical Trend Analysis (based on Exh-4 Data thru Aug-09 using Paid Clms thru Sep-09; Totals by Plan)																								
	Mbr Mos	Incd Clms PMPM	Monthly Claims Risk Factors							(n/a) Prem Dur.	Nzd Clms except Still Incl. Seasonality							Fully Normalized Claims for Trend						
			Ben. Fact.	Plan Mix	Clms Dur.	Qtrly Seas.	SubT excl Seas.	Total Incl Seas.	PMPM per Month		Rolling 12-mo Wtd Avg					PMPM per Month	Rolling 12-mo Wtd Avg					Annual Trend		
											Midpt	PMPM	P-to-P Trend	Trend Mo's	Annual Trend		Midpt	PMPM	P-to-P Trend	Trend Mo's	Annual Trend			
Jan-07	90,589	89.74	1	1.07	0.98	1.00	1.05	1.05	1.01	85.06	7/30/06	83.33					85.06	7/30/06	83.33					
Feb-07	90,895	83.07	1	1.07	0.99	1.00	1.06	1.06	1.01	78.59	8/30/06	83.25					78.59	8/30/06	83.25					
Mar-07	90,614	100.47	1	1.07	0.98	1.00	1.06	1.06	1.01	95.11	9/29/06	84.32					95.11	9/29/06	84.32					
Apr-07	89,633	84.01	1	1.07	0.99	1.00	1.06	1.06	1.01	79.12	10/30/06	84.40					79.12	10/30/06	84.40					
May-07	89,017	96.78	1	1.07	1.00	1.00	1.07	1.07	1.02	90.50	11/29/06	85.10					90.50	11/29/06	85.10					
Jun-07	88,411	86.60	1	1.07	1.00	1.00	1.07	1.07	1.02	80.67	12/30/06	84.26					80.67	12/30/06	84.26					
Jul-07	87,804	89.05	1	1.07	1.00	1.00	1.08	1.08	1.02	82.63	1/29/07	84.34					82.63	1/29/07	84.34					
Aug-07	87,321	98.18	1	1.07	1.01	1.00	1.08	1.08	1.02	90.67	2/28/07	84.54					90.67	2/28/07	84.54					
Sep-07	86,790	95.23	1	1.07	1.01	1.00	1.09	1.09	1.03	87.76	3/30/07	85.62					87.76	3/30/07	85.62					
Oct-07	86,537	97.16	1	1.07	1.01	1.00	1.09	1.09	1.03	89.39	4/29/07	86.01					89.39	4/29/07	86.01					
Nov-07	86,328	95.31	1	1.07	1.02	1.00	1.09	1.09	1.03	87.43	5/30/07	85.99					87.43	5/30/07	85.99					
Dec-07	85,813	100.16	1	1.07	1.02	1.00	1.10	1.10	1.03	91.44	6/29/07	86.50	4.7%	12.0	4.7%		91.44	6/29/07	86.50	4.7%	12.0	4.7%		
Jan-08	84,755	94.59	1	1.07	1.03	1.00	1.10	1.10	1.04	85.81	7/29/07	86.57	3.9%	12.0	3.9%		85.81	7/29/07	86.57	3.9%	12.0	3.9%		
Feb-08	83,419	98.87	1	1.07	1.04	1.00	1.11	1.11	1.04	88.88	8/29/07	87.44	5.0%	12.0	5.1%		88.88	8/29/07	87.44	5.0%	12.0	5.1%		
Mar-08	81,908	105.06	1	1.07	1.04	1.00	1.12	1.12	1.04	93.99	9/28/07	87.29	3.5%	11.9	3.5%		93.99	9/28/07	87.29	3.5%	11.9	3.5%		
Apr-08	80,425	115.53	1	1.07	1.05	1.00	1.13	1.13	1.05	102.64	10/28/07	89.20	5.7%	11.9	5.7%		102.64	10/28/07	89.20	5.7%	11.9	5.7%		
May-08	79,168	125.88	1	1.07	1.06	1.00	1.13	1.13	1.05	111.01	11/27/07	90.79	6.7%	11.9	6.7%		111.01	11/27/07	90.79	6.7%	11.9	6.7%		
Jun-08	77,913	118.27	1	1.07	1.06	1.00	1.14	1.14	1.05	103.61	12/27/07	92.66	10.0%	11.9	10.0%		103.61	12/27/07	92.66	10.0%	11.9	10.0%		
Jul-08	76,584	123.40	1	1.07	1.07	1.00	1.15	1.15	1.06	107.39	1/26/08	94.68	12.3%	11.9	12.4%		107.39	1/26/08	94.68	12.3%	11.9	12.4%		
Aug-08	75,342	115.42	1	1.07	1.08	1.00	1.16	1.16	1.06	99.91	2/25/08	95.43	12.9%	11.9	13.0%		99.91	2/25/08	95.43	12.9%	11.9	13.0%		
Sep-08	74,180	112.95	1	1.07	1.08	1.00	1.16	1.16	1.06	97.31	3/26/08	96.26	12.4%	11.9	12.5%		97.31	3/26/08	96.26	12.4%	11.9	12.5%		
Oct-08	73,228	126.28	1	1.07	1.09	1.00	1.17	1.17	1.06	108.25	4/25/08	97.80	13.7%	11.9	13.8%		108.25	4/25/08	97.80	13.7%	11.9	13.8%		
Nov-08	72,136	113.01	1	1.07	1.09	1.00	1.17	1.17	1.07	96.39	5/26/08	98.64	14.7%	11.9	14.8%		96.39	5/26/08	98.64	14.7%	11.9	14.8%		
Dec-08	71,132	139.51	1	1.07	1.10	1.00	1.18	1.18	1.07	118.21	6/25/08	100.80	16.5%	11.9	16.7%		118.21	6/25/08	100.80	16.5%	11.9	16.7%		
Jan-09	70,022	123.27	1	1.07	1.11	1.00	1.19	1.19	1.07	103.90	7/26/08	102.42	18.3%	11.9	18.5%		103.90	7/26/08	102.42	18.3%	11.9	18.5%		
Feb-09	69,158	107.34	1	1.07	1.11	1.00	1.19	1.19	1.08	89.83	8/25/08	102.71	17.5%	11.9	17.6%		89.83	8/25/08	102.71	17.5%	11.9	17.6%		
Mar-09	67,123	138.70	1	1.07	1.11	1.00	1.19	1.19	1.08	116.26	9/25/08	104.54	19.8%	11.9	19.9%		116.26	9/25/08	104.54	19.8%	11.9	19.9%		
Apr-09	65,091	129.53	1	1.07	1.12	1.00	1.20	1.20	1.08	108.14	10/25/08	104.99	17.7%	11.9	17.8%		108.14	10/25/08	104.99	17.7%	11.9	17.8%		
May-09	63,878	142.52	1	1.07	1.12	1.00	1.21	1.21	1.08	118.13	11/24/08	105.41	16.1%	11.9	16.2%		118.13	11/24/08	105.41	16.1%	11.9	16.2%		
Jun-09	62,834	144.39	1	1.07	1.13	1.00	1.22	1.22	1.09	118.66	12/24/08	106.57	15.0%	11.9	15.1%		118.66	12/24/08	106.57	15.0%	11.9	15.1%		
Jul-09	61,942	153.84	1	1.07	1.14	1.00	1.23	1.23	1.09	125.58	1/23/09	107.92	14.0%	11.9	14.1%		125.58	1/23/09	107.92	14.0%	11.9	14.1%		
Aug-09	61,165	141.98	1	1.07	1.15	1.00	1.23	1.23	1.09	115.22	2/23/09	109.21	14.4%	11.9	14.5%		115.22	2/23/09	109.21	14.4%	11.9	14.5%		
Sep-09			1	1.07	1.16	1.00																		
Oct-09			LLR forecasts Clms Dur factors																					
Nov-09			but assumes Ben+Plan remain at 8/09 level																					
Dec-09																								

Historical Trend

Original Anthem Approach (before annualization)								
9/07 - 8/08	984,984	106.59	1.00	1.07	1.04	1.00	1.12	1.12
9/08 - 8/09	811,889	130.42	1.00	1.07	1.11	1.00	1.19	1.19
		1.224	1.00	1.00	1.07	1.00	1.070	1.070
Orig U/L Trend (incl Ded Leveg.)								
								14.4%

AHP Altern Approach before Season. Adj.							AHP Altern Approach incl Normaliz. for Seas.						
		2/25/08	95.43				2/25/08	95.43					
		2/23/09	109.21	14.4%	11.9	14.5%	2/23/09	109.21	14.4%	11.9	14.5%		

Historical Base PMPM vs Sept-09: Calc Known/Actual trend in Risk Factors									
6/08 - 5/09	855,786	123.82	1.00	1.07	1.09	1.00	1.17	1.17	
Sep-09			1.00	1.07	1.16	1.00	1.24	1.24	
							1.057	1.057	

midpt= 11/24/08

midpt= 9/16/09

mo's trend: 9.71

Calc. Adjustment to Historical (Starting) Trend Factor to reflect Actual / known Trend in Risk (Clms Dur & Plan Mix) applic from Base PMPM Period to Sept-10

Unadjusted					Hist.	Known	Adj	
# Mos					Total	Risk	Risk	Total
Orig Anthem					11.95	1.224	1.070	
Annualize					12.00	1.225	1.070	
Base Period to Sept-09					9.71	1.178	1.056	1.057
Adj. Annualized Total:								1.179
								1.226

This report has been prepared for the exclusive use of the California Department of Insurance and we have provided it only to them. This report includes material and references to material that has been labeled "confidential/trade secret" information by Anthem when initially submitted to the California Department of Insurance. It is critical that this report be reviewed in its entirety to assure that no conclusion or assessment is taken out of context.

Appendix G Historical Trend Analysis

Historical Trend Analysis (based on Exh-4 Data thru Aug-09 using Paid Clms thru Sep-09; Totals by Plan)																											
Tonik	Monthly Claims Risk Factors										Nzd Clms except Still Incl. Seasonality							Fully Normalized Claims for Trend									
	Mbr	Incd	Ben.	Plan	Clms	Qtrly	SubT	Total	(n/a)	PMPM	Rolling 12-mo Wtd Avg					PMPM	Rolling 12-mo Wtd Avg					PMPM	Rolling 12-mo Wtd Avg				
	Mos	PMPM	Fact.	Mix	Dur.	Seas.	excl Seas.	Incl Seas.	Prem	per Month	Midpt	PMPM	P-to-P	Trend	Annual	per Month	Midpt	PMPM	P-to-P	Trend	Annual	per Month	Midpt	PMPM	P-to-P	Trend	Annual
	byFormula																										
Jan-07	52,237	90.54	1.000	1.08	0.91	0.96	0.99	0.95	0.98	91.82	8/17/06	88.20				95.53	8/17/06	87.90									
Feb-07	54,346	92.97	1.000	1.08	0.91	0.96	0.99	0.95	0.98	94.38	9/15/06	89.96				98.20	9/15/06	89.90									
Mar-07	56,381	92.17	1.000	1.08	0.91	0.96	0.98	0.95	0.98	93.72	10/15/06	91.09				97.51	10/15/06	91.22									
Apr-07	57,353	91.42	1.000	1.08	0.92	0.99	0.99	0.98	0.98	92.46	11/14/06	91.61				93.64	11/14/06	91.78									
May-07	58,215	89.99	1.000	1.08	0.92	0.99	1.00	0.98	0.98	90.22	12/14/06	92.31				91.37	12/14/06	92.52									
Jun-07	59,165	96.03	1.000	1.08	0.93	0.99	1.00	0.99	0.98	96.04	1/12/07	93.04				97.27	1/12/07	93.29									
Jul-07	59,899	95.64	1.000	1.08	0.93	1.00	1.00	1.01	0.98	95.27	2/10/07	93.08				94.88	2/10/07	93.32									
Aug-07	60,833	85.88	1.000	1.07	0.94	1.00	1.01	1.01	0.99	85.10	3/11/07	92.16				84.75	3/11/07	92.38									
Sep-07	61,550	91.19	1.000	1.08	0.94	1.00	1.01	1.01	0.99	90.22	4/10/07	92.31				89.85	4/10/07	92.51									
Oct-07	62,231	97.27	1.000	1.07	0.94	1.05	1.01	1.06	0.99	96.14	5/9/07	92.04				91.80	5/9/07	92.16									
Nov-07	63,130	85.67	1.000	1.07	0.94	1.05	1.01	1.06	0.99	84.47	6/8/07	91.05				80.66	6/8/07	91.13									
Dec-07	63,718	106.79	1.000	1.07	0.95	1.05	1.02	1.07	0.99	104.96	7/7/07	92.92	6.2%	11.6	6.4%	100.22	7/7/07	92.84	6.8%	11.6	7.0%						
Jan-08	63,977	92.86	1.000	1.07	0.95	0.96	1.02	0.98	0.99	90.92	8/6/07	92.82	5.2%	11.6	5.4%	94.59	8/6/07	92.80	5.6%	11.6	5.8%						
Feb-08	64,161	95.08	1.000	1.07	0.96	0.96	1.03	0.99	1.00	92.53	9/5/07	92.68	3.0%	11.6	3.1%	96.27	9/5/07	92.70	3.1%	11.6	3.2%						
Mar-08	61,816	91.01	0.920	1.07	0.96	0.96	0.95	0.91	1.00	96.19	10/4/07	92.90	2.0%	11.6	2.1%	100.08	10/4/07	92.95	1.9%	11.6	2.0%						
Apr-08	59,817	77.00	0.921	1.07	0.97	0.99	0.95	0.94	1.00	80.71	11/2/07	91.94	0.4%	11.6	0.4%	81.73	11/2/07	91.99	0.2%	11.6	0.2%						
May-08	58,178	87.63	0.920	1.07	0.98	0.99	0.96	0.95	1.00	91.20	12/1/07	92.02	-0.3%	11.6	-0.3%	92.36	12/1/07	92.07	-0.5%	11.6	-0.5%						
Jun-08	56,842	87.87	0.920	1.07	0.99	0.99	0.97	0.95	1.01	90.93	12/30/07	91.61	-1.5%	11.6	-1.6%	92.08	12/30/07	91.65	-1.8%	11.6	-1.8%						
Jul-08	55,343	95.76	0.920	1.07	0.99	1.00	0.97	0.98	1.01	98.43	1/27/08	91.83	-1.3%	11.5	-1.4%	98.03	1/27/08	91.87	-1.6%	11.5	-1.6%						
Aug-08	53,975	94.78	0.920	1.07	1.00	1.00	0.98	0.98	1.01	96.81	2/25/08	92.76	0.7%	11.5	0.7%	96.42	2/25/08	92.81	0.5%	11.5	0.5%						
Sep-08	52,598	92.15	0.919	1.07	1.00	1.00	0.98	0.99	1.01	93.73	3/25/08	93.05	0.8%	11.5	0.8%	93.35	3/25/08	93.10	0.6%	11.5	0.7%						
Oct-08	51,218	112.39	0.918	1.07	1.01	1.05	0.99	1.03	1.02	113.86	4/23/08	94.29	2.4%	11.5	2.6%	108.72	4/23/08	94.35	2.4%	11.5	2.5%						
Nov-08	49,924	90.85	0.919	1.06	1.01	1.05	0.99	1.04	1.02	91.60	5/23/08	95.00	4.3%	11.5	4.5%	87.46	5/23/08	95.10	4.4%	11.5	4.5%						
Dec-08	48,784	121.25	0.919	1.06	1.02	1.05	1.00	1.04	1.02	121.60	6/22/08	95.98	3.3%	11.5	3.4%	116.11	6/22/08	96.14	3.6%	11.5	3.7%						
Jan-09	47,640	87.80	0.921	1.06	1.02	0.96	1.00	0.96	1.03	87.69	7/22/08	95.87	3.3%	11.5	3.4%	91.24	7/22/08	95.93	3.4%	11.5	3.5%						
Feb-09	46,529	81.09	0.920	1.06	1.03	0.96	1.01	0.97	1.03	80.67	8/22/08	95.10	2.6%	11.6	2.7%	83.93	8/22/08	95.03	2.5%	11.6	2.6%						
Mar-09	44,923	96.10	0.920	1.06	1.03	0.96	1.00	0.96	1.03	95.85	9/21/08	95.05	2.3%	11.6	2.4%	99.72	9/21/08	94.87	2.1%	11.6	2.1%						
Apr-09	43,707	128.26	0.918	1.06	1.03	0.99	1.00	0.99	1.03	127.92	10/22/08	98.81	7.5%	11.6	7.7%	129.55	10/22/08	98.64	7.2%	11.6	7.5%						
May-09	42,867	103.74	0.919	1.06	1.03	0.99	1.00	0.99	1.04	103.29	11/21/08	99.88	8.5%	11.7	8.8%	104.60	11/21/08	99.69	8.3%	11.7	8.5%						
Jun-09	42,364	117.52	0.919	1.06	1.04	0.99	1.01	0.99	1.04	116.74	12/22/08	101.99	11.3%	11.8	11.6%	118.23	12/22/08	101.79	11.1%	11.8	11.3%						
Jul-09	42,198	115.67	0.919	1.05	1.04	1.00	1.01	1.01	1.04	115.05	1/21/09	103.31	12.5%	11.8	12.7%	114.58	1/21/09	103.11	12.2%	11.8	12.4%						
Aug-09	41,971	115.74	0.919	1.05	1.04	1.00	1.00	1.01	1.04	115.23	2/22/09	104.85	13.0%	11.9	13.1%	114.76	2/22/09	104.64	12.8%	11.9	12.9%						
Sep-09		0.919	1.05	1.04	1.00																						
Oct-09		LLR forecasts Clms Dur factors																									
Nov-09		but assumes Ben+Plan remain at 8/09 level																									
Dec-09																											
Historical Trend		Original Anthem Approach (before annualization)							AHP Altern Approach before Season. Adj.							AHP Altern Approach incl Normaliz. for Seas.											
9/07 - 8/08	724,737	91.98	0.96	1.07	0.96	1.00	0.99	0.99	2/25/08 92.76							2/25/08 92.81											
9/08 - 8/09	554,723	104.73	0.92	1.06	1.02	1.00	1.00	1.00	2/22/09 104.85 13.0% 11.9 13.1%							2/22/09 104.64 12.8% 11.9 12.9%											
		1.139	0.96	0.99	1.06	1.00	1.007	1.008																			
		Orig U/L Trend (incl Ded Leveg.)							13.1%																		
Historical Base PMPM vs Sept-09: Calc Known/Actual trend in Risk Factors																											
6/08 - 5/09	594,351	98.91	0.92	1.06	1.01	1.00	0.99	0.99	midpt=	11/21/08								Unadjusted							Hist. Known	Adj	
Sep-09			0.92	1.05	1.04	1.00	1.01	1.01	midpt=	9/16/09								# Mos Total Risk							Risk	Total	
									mo's trend:	9.81								Orig Anthem* 11.90 1.129 1.007									
																		Annualize 12.00 1.130 1.007									
																		Base Period to Sept-09 9.81 1.105 1.006 1.016									
																		Adj. Annualized Total: 1.014									

Appendix G

Historical Trend Analysis

Historical Trend Analysis (based on Exh-4 Data thru Aug-09 using Paid Clms thru Sep-09; Totals by Plan)

CDHP Mat	Mbr	Incd Clms Mos	Monthly Claims Risk Factors						(n/a)	Nzd Clms except Still Incl, Seasonality						Fully Normalized Claims for Trend						
			Ben. Fact.	Plan Mix	Clms Dur.	Qtrly Seas.	SubT excl Seas.	Total incl Seas.		PMPM per Month	Rolling 12-mo Wld Avgs					PMPM per Month	Rolling 12-mo Wld Avgs					
											Midpt	PMPM	Trend	Mo's	Annual Trend		Midpt	PMPM	Trend	Mo's	Annual Trend	
Jan-07																						
Feb-07																						
Mar-07		0	0.00	1	1.01	0.60	0.85	0.61	0.52	0.90	0.00						0.00					
Apr-07		195	63.35	1	0.98	0.60	0.91	0.59	0.54	0.90	106.99						117.59					
May-07		453	125.99	1	0.98	0.60	0.91	0.59	0.54	0.90	213.23						234.38					
Jun-07		737	161.35	1	0.97	0.60	0.91	0.59	0.53	0.90	275.45						302.76					
Jul-07		1,097	90.35	1	0.97	0.63	1.02	0.61	0.62	0.90	147.63						144.87					
Aug-07		1,451	120.97	1	0.97	0.64	1.02	0.63	0.64	0.90	193.46						189.85					
Sep-07		1,774	58.91	1	0.97	0.65	1.02	0.63	0.65	0.90	92.99						91.25					
Oct-07		2,246	111.35	1	0.96	0.68	1.22	0.65	0.80	0.90	171.27						140.03					
Nov-07		2,605	180.30	1	0.96	0.70	1.22	0.67	0.82	0.90	268.95						219.90					
Dec-07		2,892	90.74	1	0.97	0.72	1.22	0.69	0.85	0.91	131.17						107.25					
Jan-08		3,251	144.94	1	0.97	0.73	0.85	0.71	0.60	0.91	203.66						240.13					
Feb-08		3,625	102.77	1	0.97	0.75	0.85	0.73	0.62	0.91	141.57						166.92					
Mar-08		4,085	107.11	1	0.97	0.75	0.85	0.73	0.62	0.91	146.10			12/3/07	170.62		172.26	12/3/07	173.51			
Apr-08		4,421	102.81	1	0.97	0.77	0.91	0.75	0.68	0.91	137.23	12/26/07	165.90				150.84	12/26/07	170.39			
May-08		4,770	328.50	1	0.98	0.78	0.91	0.76	0.70	0.92	429.67	1/18/08	203.43				472.28	1/18/08	213.21			
Jun-08		5,122	167.80	1	0.98	0.79	0.91	0.78	0.71	0.92	216.16	2/12/08	203.75				237.59	2/12/08	214.79			
Jul-08		5,495	237.48	1	0.98	0.81	1.02	0.79	0.81	0.92	300.57	3/9/08	217.97				294.96	3/9/08	227.18			
Aug-08		5,877	177.15	1	0.98	0.81	1.02	0.80	0.82	0.93	220.98	4/5/08	219.13				216.86	4/5/08	227.04			
Sep-08		6,293	238.89	1	0.99	0.82	1.02	0.81	0.82	0.93	295.26	5/2/08	233.00				289.74	5/2/08	239.58			
Oct-08		6,756	364.09	1	0.99	0.82	1.22	0.81	0.99	0.93	448.26	5/31/08	261.86				366.51	5/31/08	259.17			
Nov-08		7,143	220.46	1	0.99	0.83	1.22	0.82	1.00	0.93	269.61	6/29/08	262.48				220.44	6/29/08	256.25			
Dec-08		7,578	244.79	1	0.99	0.83	1.22	0.82	1.00	0.93	297.93	7/27/08	272.54				243.60	7/27/08	261.45			
Jan-09		8,054	189.53	1	0.99	0.83	0.85	0.82	0.70	0.93	230.51	8/26/08	270.89				271.78	8/26/08	263.65			
Feb-09		8,522	183.17	1	0.99	0.83	0.85	0.82	0.70	0.94	222.48	9/24/08	271.65				262.32	9/24/08	268.23			
Mar-09		8,726	180.74	1	0.98	0.84	0.85	0.82	0.70	0.94	219.71	10/23/08	272.40	59.7%	10.7	69.3%	259.06	10/23/08	272.19	56.9%	10.7	66.0%
Apr-09		8,717	196.93	1	0.98	0.85	0.91	0.84	0.76	0.94	235.19	11/20/08	275.69	66.2%	10.9	75.2%	258.51	11/20/08	277.21	62.7%	10.9	71.1%
May-09		8,734	258.75	1	0.98	0.87	0.91	0.85	0.78	0.95	303.16	12/18/08	270.01	32.7%	11.0	36.1%	333.22	12/18/08	272.14	27.6%	11.0	30.5%
Jun-09		8,746	239.96	1	0.97	0.89	0.91	0.86	0.79	0.95	277.81	1/15/09	273.80	34.4%	11.1	37.6%	305.35	1/15/09	277.30	29.1%	11.1	31.8%
Jul-09		8,791	329.36	1	0.97	0.90	1.02	0.87	0.89	0.95	377.84	2/12/09	281.97	29.4%	11.2	31.9%	370.79	2/12/09	285.02	25.5%	11.2	27.6%
Aug-09		8,834	265.98	1	0.96	0.92	1.02	0.88	0.90	0.96	301.95	3/12/09	287.49	31.2%	11.2	33.8%	296.31	3/12/09	290.18	27.8%	11.2	30.1%
Sep-09				1	0.96	0.92	1.02															
Oct-09					LLR forecasts Clms Dur factors																	
Nov-09					but assumes Ben+Plan remain at 8/09 level																	
Dec-09																						

Historical Trend		Original Anthem Approach (before annualization)						
9/07 - 8/08	46,162	164.53	1.00	0.97	0.76	0.98	0.74	0.73
9/08 - 8/09	96,895	241.27	1.00	0.98	0.85	0.99	0.84	0.83
		1.466	1.00	1.01	1.12	1.01	1.130	1.143
		Orig U/L Trend (incl Ded Leveg.) 29.7%						

AHP Altern Approach before Season. Adj.					
4/5/08	219.13				
3/12/09	287.49	31.2%	11.2		33.8%

AHP Altern Approach incl Normaliz. for Seas.					
4/5/08	227.04				
3/12/09	290.18	27.8%	11.2		30.1%

[illegible]

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midpt= 12/18/08
midpt= 9/16/09
mo's trend: 8.90
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Calc. Adjustment to Historical (Starting) Trend Factor to reflect Actual / Known Trend in Risk (Clims Dur & Plan Mix) apply from Base PMPPM Period to Sept-10					
	Unadjusted		Hist.	Known	Adj
	# Mos	Total	Risk	Risk	Total
Orig Anthem	11.20	1.466	1.130		
Annualize	12.00	1.507	1.140		
Base Period to Sept-09	8.90	1.356	1.102	1.080	1.328
Adj. Annualized Total:					1.466

This report has been prepared for the exclusive use of the California Department of Insurance and we have provided it only to them. This report includes material and references to material that has been labeled "confidential/trade secret" information by Anthem when initially submitted to the California Department of Insurance. It is critical that this report be reviewed in its entirety to assure that no conclusion or assessment is taken out of context.

Appendix G Historical Trend Analysis

Historical Trend Analysis (based on Exh-4 Data thru Aug-09 using Paid Clms thru Sep-09; Totals by Plan)

Saver	Mbr Mos	Monthly Claims Risk Factors								(r/a)	Nzd Clms except Still Incl. Seasonality						Fully Normalized Claims for Trend						
		Incd Clms PMPM	Ben. Fact.	Plan Mix	Clms Dur.	Qtrly Seas.	SubT excl Seas.	Total Incl Seas.	Prem Dur.		PMPM per Month	Rolling 12-mo Wtd Avgs				Annual Trend	PMPM per Month	Rolling 12-mo Wtd Avgs				Annual Trend	
												Midpt	PMPM	Trend	Mo's			Midpt	PMPM	Trend	Mo's		
Jan-07		23,523	102.79	1	1.00	1.18	0.95	1.18	1.12	1.11	87.01	7/23/06	96.44				91.59	7/23/06	96.59				
Feb-07		23,144	105.06	1	1.00	1.19	0.95	1.19	1.13	1.11	88.26	8/23/06	97.38				92.90	8/23/06	97.45				
Mar-07		22,755	116.64	1	1.00	1.20	0.95	1.20	1.14	1.12	97.48	9/23/06	96.98				102.61	9/23/06	96.92				
Apr-07		22,332	95.08	1	1.00	1.21	0.97	1.21	1.17	1.12	78.83	10/24/06	97.49				81.27	10/24/06	97.37				
May-07		21,996	106.29	1	1.00	1.21	0.97	1.21	1.18	1.13	87.51	11/24/06	97.30				90.21	11/24/06	97.12				
Jun-07		21,681	108.74	1	1.00	1.22	0.97	1.22	1.19	1.13	88.92	12/24/06	97.72				91.67	12/24/06	97.50				
Jul-07		21,319	124.09	1	1.00	1.23	1.00	1.23	1.23	1.13	100.75	1/24/07	98.81				100.75	1/24/07	98.57				
Aug-07		21,007	107.68	1	1.00	1.24	1.00	1.24	1.24	1.14	86.74	2/23/07	96.66				86.74	2/23/07	96.43				
Sep-07		20,640	94.47	1	1.00	1.25	1.00	1.25	1.25	1.14	75.47	3/26/07	92.54				75.47	3/26/07	92.30				
Oct-07		20,311	140.95	1	1.00	1.26	1.08	1.26	1.36	1.15	111.99	4/25/07	91.01				103.69	4/25/07	91.00				
Nov-07		19,955	145.44	1	1.00	1.27	1.08	1.27	1.37	1.15	114.94	5/26/07	92.71				106.42	5/26/07	92.69				
Dec-07		19,671	103.57	1	1.00	1.27	1.08	1.27	1.38	1.15	81.32	6/25/07	91.42	-4.1%	12.1	-4.1%	75.30	6/25/07	91.61	-4.1%	12.1	-4.1%	
Jan-08		19,313	100.86	1	1.00	1.29	0.95	1.29	1.22	1.16	78.49	7/26/07	90.84	-5.8%	12.1	-5.8%	82.62	7/26/07	90.92	-5.9%	12.1	-5.8%	
Feb-08		19,003	105.79	1	1.00	1.30	0.95	1.30	1.23	1.17	81.45	8/25/07	90.37	-7.2%	12.1	-7.2%	85.73	8/25/07	90.35	-7.3%	12.1	-7.3%	
Mar-08		18,889	117.24	1	1.00	1.30	0.95	1.30	1.24	1.17	89.92	9/25/07	89.68	-7.5%	12.0	-7.5%	94.65	9/25/07	89.54	-7.6%	12.0	-7.6%	
Apr-08		18,670	116.94	1	1.00	1.31	0.97	1.31	1.27	1.18	88.97	10/25/07	90.62	-7.0%	12.0	-7.0%	91.72	10/25/07	90.47	-7.1%	12.0	-7.1%	
May-08		18,434	93.79	1	1.00	1.32	0.97	1.32	1.28	1.18	70.98	11/25/07	89.39	-8.1%	12.0	-8.1%	73.18	11/25/07	89.16	-8.2%	12.0	-8.2%	
Jun-08		18,118	118.69	1	1.00	1.33	0.97	1.33	1.29	1.18	89.17	12/26/07	89.42	-8.5%	12.0	-8.5%	91.92	12/26/07	89.14	-8.6%	12.0	-8.5%	
Jul-08		17,844	113.10	1	1.00	1.34	1.00	1.34	1.34	1.19	84.33	1/25/08	87.98	-11.0%	12.0	-10.9%	84.33	1/25/08	87.71	-11.0%	12.0	-11.0%	
Aug-08		17,536	103.45	1	1.00	1.35	1.00	1.35	1.35	1.19	76.57	2/25/08	87.22	-9.8%	12.0	-9.7%	76.57	2/25/08	86.94	-9.8%	12.0	-9.8%	
Sep-08		17,170	98.44	1	1.00	1.36	1.00	1.36	1.36	1.20	72.15	3/26/08	87.15	-5.8%	12.0	-5.8%	72.15	3/26/08	86.86	-5.9%	12.0	-5.9%	
Oct-08		16,819	154.48	1	1.00	1.37	1.08	1.37	1.48	1.21	112.38	4/26/08	86.79	-4.6%	12.0	-4.6%	104.06	4/26/08	86.63	-4.8%	12.0	-4.8%	
Nov-08		16,519	135.05	1	1.00	1.38	1.08	1.38	1.49	1.21	97.70	5/26/08	85.04	-8.3%	12.0	-8.3%	90.46	5/26/08	85.10	-8.2%	12.0	-8.2%	
Dec-08		16,249	145.87	1	1.00	1.39	1.08	1.39	1.50	1.21	104.94	6/25/08	86.89	-5.0%	12.0	-4.9%	97.17	6/25/08	86.92	-5.1%	12.0	-5.1%	
Jan-09		15,912	164.64	1	1.00	1.40	0.95	1.40	1.33	1.22	117.74	7/26/08	89.98	-1.0%	12.0	-0.9%	123.93	7/26/08	90.10	-0.9%	12.0	-0.9%	
Feb-09		15,866	115.56	1	1.00	1.40	0.95	1.40	1.33	1.22	82.46	8/25/08	90.18	-0.2%	12.0	-0.2%	86.80	8/25/08	90.25	-0.1%	12.0	-0.1%	
Mar-09		15,815	134.02	1	1.00	1.39	0.95	1.39	1.32	1.22	96.58	9/24/08	90.70	1.1%	12.0	1.1%	101.67	9/24/08	90.72	1.3%	12.0	1.3%	
Apr-09		15,693	149.07	1	1.00	1.38	0.97	1.38	1.34	1.22	107.74	10/25/08	92.19	1.7%	12.0	1.7%	111.07	10/25/08	92.21	1.9%	12.0	1.9%	
May-09		15,596	113.02	1	1.00	1.38	0.97	1.38	1.34	1.22	81.69	11/25/08	93.33	4.4%	12.0	4.4%	84.21	11/25/08	93.35	4.7%	12.0	4.7%	
Jun-09		15,535	183.73	1	1.00	1.39	0.97	1.39	1.35	1.22	132.34	12/26/08	96.79	8.2%	12.0	8.2%	136.43	12/26/08	96.88	8.7%	12.0	8.7%	
Jul-09		15,422	158.10	1	1.00	1.39	1.00	1.39	1.39	1.22	113.52	1/26/09	99.27	12.8%	12.0	12.8%	113.52	1/26/09	99.36	13.3%	12.0	13.2%	
Aug-09		15,327	160.02	1	1.00	1.40	1.00	1.40	1.40	1.23	114.52	2/26/09	102.56	17.6%	12.1	17.5%	114.52	2/26/09	102.65	18.1%	12.1	18.0%	
Sep-09				1	1.00	1.41	1.00																
Oct-09				LLR forecasts Clms Dur factors																			
Nov-09				but assumes Ben+Plan remain at 8/09 level																			
Dec-09																							
Historical Trend		Original Anthem Approach (before annualization)											AHP Altern Approach before Season. Adj.				AHP Altern Approach incl Normaliz. for Seas.						
9/07 - 8/08	228,383	113.06	1.00	1.00	1.30	1.00	1.30	1.30				2/25/08	87.22				2/25/08	86.94					
9/08 - 8/09	191,922	142.30	1.00	1.00	1.39	1.00	1.39	1.39				2/26/09	102.56	17.6%	12.1	17.5%	2/26/09	102.65	18.1%	12.1	18.0%		
		1.259	1.00	1.00	1.07	1.00	1.068	1.068															
		Orig U/L Trend (incl Ded Leveg.)											17.8%										
Historical Base PMPM vs Sept-09: Calc Known/Actual trend in Risk Factors																							
6/08 - 5/09	199,136	128.29	1.00	1.00	1.37	1.00	1.37	1.37				midpt=	11/25/08				# Mos	Total	Risk	Risk	Total		
Sep-09		1.00	1.00	1.41	1.00	1.41	1.41	1.41				midpt=	9/16/09				12.06	1.259	1.068				
							1.023	1.023				mo's trend:	9.67				12.00	1.257	1.068				
											Calc. Adjustment to Historical (Starting) Trend Factor to reflect Actual / known Trend in Risk (Clms Dur & Plan Mix) applic from Base PMPM Period to Sept-10												
											Unadjusted				Hist.		Known		Adj				
</																							

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Appendix G Historical Trend Analysis

Historical Trend Analysis (based on Exh-4 Data thru Aug-09 using Paid Clms thru Sep-09; Totals by Plan)

CDHP NonMat	Monthly Claims Risk Factors								(n/a)	Nzd Clms except Still Incl. Seasonality						Fully Normalized Claims for Trend						
	Mbr	Incd Clms	Ben.	Plan	Clms	Qtrly	SubT excl	Total incl		Prem	PMPM	Rolling 12-mo Wtd Avgs				PMPM	Rolling 12-mo Wtd Avgs					
												per	P-to-P	Trend	Annual		per	Midpt	PMPM	Trend	Mo's	Trend
Mos	PMPM	Fact.	Mix	Dur.	Seas.	Seas.	Seas.	Dur.	Month	Midpt	PMPM	Trend	Mo's	Trend	Month	Midpt	PMPM	Trend	Mo's	Trend		
Jan-08	385	34.47	1	0.91	0.57	0.85	0.52	0.44	0.91	65.85					includes	77.64						
Feb-08	951	24.03	1	0.91	0.57	0.85	0.52	0.44	0.91	45.86					revision	54.07						
Mar-08	1,820	26.04	1	0.91	0.58	0.85	0.53	0.45	0.91	48.96					to include	57.73						
Apr-08	2,734	21.36	1	0.91	0.59	0.91	0.54	0.49	0.91	39.38					Clms & Prem	43.29						
May-08	3,743	30.42	1	0.91	0.60	0.91	0.55	0.50	0.92	55.05					Dur factors	60.51						
Jun-08	4,596	25.12	1	0.91	0.62	0.91	0.57	0.51	0.92	44.40					that are	48.81						
Jul-08	5,573	177.44	1	0.91	0.64	1.02	0.58	0.59	0.92	305.50					same as	299.79						
Aug-08	6,701	75.03	1	0.91	0.65	1.02	0.59	0.61	0.92	126.19	6/13/08	123.19		3500		123.83	6/13/08	124.04				
Sep-08	7,537	85.33	1	0.91	0.67	1.02	0.61	0.62	0.92	139.93	7/4/08	126.89				137.32	7/4/08	126.97				
Oct-08	8,293	80.19	1	0.91	0.69	1.22	0.63	0.77	0.93	127.71	7/24/08	127.05				104.42	7/24/08	122.57				
Nov-08	9,102	46.64	1	0.91	0.71	1.22	0.65	0.79	0.93	72.23	8/14/08	117.37				59.06	8/14/08	111.35				
Dec-08	9,837	75.46	1	0.92	0.72	1.22	0.66	0.80	0.93	114.75	9/3/08	116.27				93.82	9/3/08	108.00				
Jan-09	10,884	50.61	1	0.92	0.73	0.85	0.67	0.57	0.93	75.78	9/25/08	110.40				89.35	9/25/08	105.34				
Feb-09	11,864	46.33	1	0.92	0.74	0.85	0.68	0.58	0.93	68.07	10/18/08	105.07				80.26	10/18/08	102.33				
Mar-09	13,793	59.42	1	0.91	0.74	0.85	0.67	0.57	0.94	88.15	11/13/08	103.68				103.93	11/13/08	103.42				
Apr-09	14,973	73.58	1	0.91	0.74	0.91	0.68	0.62	0.94	108.39	12/10/08	105.99				119.14	12/10/08	107.16				
May-09	15,978	79.13	1	0.91	0.75	0.91	0.69	0.63	0.94	115.03	1/6/09	108.80				126.44	1/6/09	111.21				
Jun-09	16,840	87.66	1	0.91	0.77	0.91	0.70	0.64	0.94	125.39	2/3/09	113.18				137.82	2/3/09	116.81				
Jul-09	17,867	76.48	1	0.91	0.78	1.02	0.71	0.72	0.95	108.21	3/3/09	105.10				106.19	3/3/09	108.39				
Aug-09	18,916	74.81	1	0.91	0.79	1.02	0.71	0.73	0.95	104.71	4/1/09	104.15	-15.5%	9.6	-19.0%	102.75	4/1/09	107.04	-13.7%	9.6	-16.9%	
Sep-09			1	0.91	0.80	1.02																
Oct-09																						
Nov-09																						
Dec-09																						

LLR forecasts Clms Dur factors
but assumes Ben+Plan remain at 8/09 level

(For CDHP-NonM, using rolling 6-month avg approach instead, per limited history)

Historical Trend		Original Anthem Approach (before annualization)							
3/08 - 8/08	25,166	72.58	1.00	0.91	0.62	0.96	0.57	0.55	
3/09 - 8/09	98,368	75.67	1.00	0.91	0.76	0.94	0.70	0.65	
		1.043	1.00	1.00	1.22	0.98	1.220	1.199	
		Orig U/L Trend (incl Ded Leveg.)							
		-14.5%							

AHP Altern Approach before Season. Adj.	
6/21/08	125.36
6/6/09	108.80 -13.2% 11.5 -13.7%

AHP Altern Approach incl Normaliz. for Seas.	
6/21/08	126.15
6/6/09	115.89 -8.1% 11.5 -8.5%

Historical Base PMPM vs Sept-09: Calc Known/Actual trend in Risk Factors	
6/08 - 5/09	119,132
Sep-09	
	70.24 1.00 0.91 0.71 0.98 0.65 0.64
	1.00 0.91 0.80 1.02 0.72 0.74
	1.108 1.151

midpt= 1/6/09
midpt= 9/16/09
mo's trend: 8.29

Calc. Adjustment to Historical (Starting) Trend Factor to reflect Actual / known Trend in Risk (Clms Dur & Plan Mix) applic from Base PMPM Period to Sept-10					
		Unadjusted		Hist.	Known
		# Mos	Total	Risk	Risk
Orig Anthem		11.50	1.043	1.220	
Annualize		12.00	1.044	1.230	
Base Period to Sept-09		8.29	1.030	1.154	1.108
Adj. Annualized Total:					0.985

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Appendix G Historical Trend Analysis

Historical Trend Analysis (based on Exh-4 Data thru Aug-09 using Paid Clms thru Sep-09; Totals by Plan)

	Mbr	Incd Clms PMPM	Monthly Claims Risk Factors							(n/a)	Nzd Clms except Still Incl. Seasonality					Fully Normalized Claims for Trend						
			Ben. Fact.	Plan Mix	Clms Dur.	Qtrly Seas.	SubT excl Seas.	Total incl Seas.	PMPM per Month		Rolling 12-mo Wtd Aves				PMPM per Month	Rolling 12-mo Wtd Aves				Annual Trend		
											Midpt	PMPM	Trend	Mo's		Midpt	PMPM	Trend	Mo's			
3500	Jan-07	53,236	86.25	1	0.91	0.90	0.85	0.82	0.70	0.97	105.25	8/13/06	84.55				124.09	8/13/06	84.48			
	Feb-07	54,771	42.19	1	0.91	0.91	0.85	0.83	0.70	0.98	50.95	9/10/06	81.48				60.08	9/10/06	81.37			
	Mar-07	57,655	71.54	1	0.91	0.92	0.85	0.83	0.70	0.98	86.26	10/10/06	82.21				101.71	10/10/06	82.71			
	Apr-07	59,708	55.46	1	0.91	0.93	0.91	0.84	0.76	0.98	66.15	11/10/06	81.89				72.70	11/10/06	82.58			
	May-07	61,629	63.15	1	0.91	0.93	0.91	0.85	0.77	0.99	74.70	12/10/06	81.74				82.11	12/10/06	82.64			
	Jun-07	63,289	65.15	1	0.90	0.94	0.91	0.85	0.77	0.99	76.52	1/10/07	82.33				84.11	1/10/07	83.49			
	Jul-07	64,893	67.96	1	0.90	0.95	1.02	0.86	0.87	0.99	79.37	2/10/07	83.01				77.89	2/10/07	84.08			
	Aug-07	66,539	73.94	1	0.90	0.95	1.02	0.86	0.88	0.99	85.83	3/12/07	82.45				84.23	3/12/07	83.46			
	Sep-07	68,154	78.24	1	0.90	0.96	1.02	0.87	0.88	0.99	90.32	4/12/07	83.79				88.63	4/12/07	84.71			
	Oct-07	69,942	92.35	1	0.90	0.96	1.22	0.87	1.06	0.99	106.39	5/12/07	86.99				86.98	5/12/07	86.88			
	Nov-07	71,794	69.74	1	0.90	0.96	1.22	0.87	1.06	0.99	80.11	6/11/07	86.29				65.50	6/11/07	85.87			
	Dec-07	73,219	91.24	1	0.90	0.97	1.22	0.87	1.07	0.99	104.37	7/12/07	84.48	2.5%	11.9	2.5%	85.34	7/12/07	83.97	3.2%	11.9	3.2%
	Jan-08	74,505	41.49	1	0.90	0.97	0.85	0.88	0.75	1.00	47.16	8/10/07	79.54	-5.9%	11.9	-6.0%	55.61	8/10/07	78.56	-7.0%	11.9	-7.1%
	Feb-08	75,501	56.53	1	0.90	0.99	0.85	0.89	0.76	1.00	63.45	9/9/07	79.97	-1.8%	11.9	-1.9%	74.82	9/9/07	79.46	-2.3%	11.9	-2.4%
	Mar-08	76,867	70.63	1	0.90	1.00	0.85	0.90	0.76	1.00	78.35	10/9/07	79.38	-3.4%	11.9	-3.5%	92.38	10/9/07	79.11	-4.3%	11.9	-4.4%
	Apr-08	77,982	70.48	1	0.90	1.01	0.91	0.91	0.83	1.01	77.15	11/8/07	80.12	-2.2%	11.9	-2.2%	84.81	11/8/07	80.09	-3.0%	11.9	-3.0%
	May-08	78,763	88.89	1	0.90	1.02	0.91	0.92	0.84	1.01	96.30	12/8/07	81.98	0.3%	11.9	0.3%	105.85	12/8/07	82.30	-0.4%	11.9	-0.4%
	Jun-08	79,401	71.87	1	0.90	1.03	0.91	0.93	0.85	1.01	77.12	1/7/08	81.94	-0.5%	11.9	-0.5%	84.77	1/7/08	82.40	-1.3%	11.9	-1.3%
	Jul-08	80,227	82.34	1	0.90	1.04	1.02	0.94	0.96	1.01	87.65	2/6/08	82.64	-0.4%	11.9	-0.5%	86.01	2/6/08	83.05	-1.2%	11.9	-1.2%
	Aug-08	80,875	79.27	1	0.90	1.05	1.02	0.95	0.96	1.02	83.84	3/7/08	82.51	0.1%	11.8	0.1%	82.27	3/7/08	82.89	-0.7%	11.8	-0.7%
	Sep-08	81,379	77.87	1	0.90	1.05	1.02	0.95	0.97	1.02	81.77	4/5/08	81.87	-2.3%	11.8	-2.3%	80.25	4/5/08	82.23	-2.9%	11.8	-3.0%
	Oct-08	82,067	93.26	1	0.90	1.06	1.22	0.96	1.17	1.02	97.41	5/5/08	81.39	-6.4%	11.8	-6.5%	79.64	5/5/08	81.65	-6.0%	11.8	-6.1%
	Nov-08	82,554	103.15	1	0.90	1.06	1.22	0.96	1.18	1.02	107.18	6/4/08	83.75	-2.9%	11.8	-3.0%	87.63	6/4/08	83.40	-2.9%	11.8	-2.9%
	Dec-08	83,135	123.38	1	0.90	1.07	1.22	0.97	1.18	1.02	127.63	7/5/08	85.99	1.8%	11.8	1.8%	104.35	7/5/08	85.08	1.3%	11.8	1.4%
	Jan-09	84,435	71.02	1	0.90	1.07	0.85	0.97	0.82	1.03	73.32	8/4/08	87.88	10.5%	11.8	10.7%	86.44	8/4/08	87.48	11.4%	11.8	11.5%
	Feb-09	85,271	62.41	1	0.90	1.08	0.85	0.97	0.83	1.03	64.09	9/3/08	87.69	9.7%	11.8	9.8%	75.57	9/3/08	87.42	10.0%	11.8	10.2%
	Mar-09	85,525	87.79	1	0.90	1.07	0.85	0.97	0.82	1.03	90.47	10/4/08	88.67	11.7%	11.8	11.9%	106.66	10/4/08	88.71	12.1%	11.8	12.3%
	Apr-09	85,745	65.01	1	0.90	1.08	0.91	0.98	0.89	1.03	66.66	11/3/08	87.67	9.4%	11.9	9.5%	73.27	11/3/08	87.68	9.5%	11.9	9.6%
	May-09	86,353	84.38	1	0.90	1.09	0.91	0.98	0.89	1.03	85.92	12/3/08	86.83	5.9%	11.9	6.0%	94.44	12/3/08	86.83	5.5%	11.9	5.6%
	Jun-09	86,757	76.18	1	0.90	1.10	0.91	0.99	0.90	1.04	76.99	1/2/09	86.75	5.9%	11.9	5.9%	84.63	1/2/09	86.80	5.3%	11.9	5.4%
	Jul-09	87,352	105.21	1	0.90	1.10	1.02	1.00	1.02	1.04	105.58	2/2/09	88.31	6.9%	11.9	6.9%	103.61	2/2/09	88.31	6.3%	11.9	6.4%
	Aug-09	87,736	91.06	1	0.90	1.11	1.02	1.00	1.02	1.04	90.75	3/4/09	88.87	7.7%	11.9	7.8%	89.06	3/4/09	88.86	7.2%	11.9	7.3%
	Sep-09			1	0.90	1.12	1.02															
	Oct-09				LLR forecasts Clms Dur factors																	
	Nov-09				but assumes Ben+Plan remain at 8/09 level																	
	Dec-09																					
Historical Trend			Original Anthem Approach (before annualization)								AHP Altern Approach before Season. Adj.						AHP Altern Approach incl Normaliz. for Seas.					
	9/07 - 8/08	907231	74.39	1.00	0.90	1.00	1.00	0.90	0.90			3/7/08	82.51					3/7/08	82.89			
	9/08 - 8/09	1018308	86.65	1.00	0.90	1.08	1.00	0.98	0.97			3/4/09	88.87	7.7%	11.9	7.8%		3/4/09	88.86	7.2%	11.9	7.3%
			1.165	1.00	1.00	1.08	1.00	1.081	1.083													
			Orig U/L Trend (incl Ded Leveg.)							7.7%												

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Appendix H

Claim/Premium Relativity By Duration

Claims / Premium Relativity by Duration

	Share (Mat) & CDHP-Mat				3500 & CDHP-NonM				SmartS, Saver, Right, Tonik			
	Orig	AHP Best	AHP Low	AHP High	Orig	AHP Best	AHP Low	AHP High	Orig	AHP Best	AHP Low	AHP High
Q1	0.67	0.67	0.67	0.67	0.63	0.63	0.63	0.63	0.71	0.68	0.68	0.68
Q2	0.80	0.80	0.80	0.80	0.73	0.73	0.73	0.73	0.87	0.85	0.85	0.85
Q3	1.00	1.00	1.00	1.00	0.88	0.88	0.88	0.88	1.00	0.96	0.96	0.96
Q4	1.00	1.00	1.00	1.00	0.91	0.91	0.91	0.91	1.01	0.98	0.98	0.98
Yr 2	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Yr 3	1.06	1.06	1.04	1.09	1.20	1.20	1.20	1.20	1.02	1.01	1.01	1.02
Yr 4	1.02	1.02	1.05	1.11	1.25	1.25	1.25	1.27	1.06	1.06	1.06	1.07
Yr 5	1.11	1.11	1.05	1.12	1.34	1.32	1.30	1.35	1.13	1.12	1.12	1.14
Yr 6	1.11	1.11	1.05	1.12	1.46	1.40	1.34	1.42	1.24	1.18	1.18	1.20
Yr 7	1.10	1.10	1.05	1.12	1.53	1.44	1.37	1.48	1.29	1.21	1.21	1.27
Yr 8	1.10	1.10	1.05	1.12	1.47	1.46	1.39	1.53	1.24	1.23	1.21	1.31
Yr 9	1.10	1.10	1.05	1.12	1.47	1.49	1.41	1.55	1.24	1.25	1.21	1.34
Yr 10	1.10	1.10	1.05	1.12	1.47	1.50	1.43	1.56	1.24	1.26	1.21	1.35
Yrs 11+	1.20	1.10	1.05	1.12	1.63	1.51	1.44	1.57	1.38	1.27	1.21	1.35

AHP "Best" for plans w/ Maternity follows Anthem experience pattern in Yrs 2-4 (e.g., to allow for cyclical experience by year).

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Appendix I

Summary of AHP Estimated Underlying Benefit Seasonality Factors By Qtr

Summary of AHP Estimated Underlying Benefit Seasonality Factors by Qtr (per study of Anthem Normalized Claims Experience*)

	Right	Saver	SmartS	Tonik	Share	CDHP Non-Mat	CDHP w/ Matern.	3500
Avg Ded	\$0	\$500	\$1,136	\$1,943	\$4,416	\$2,532	\$2,532	\$3,500
Ded applies to Rx:	N	N	N	N	N	Yes	Yes	Yes/HSA
Average Seasonality Factors by Quarter								
Jan-Mar	1.000	0.950	0.956	0.961	0.896	0.848	0.848	0.848
Apr-Jun	1.000	0.970	0.979	0.987	0.992	0.910	0.910	0.910
Jul-Sep	1.000	1.000	1.002	1.004	1.013	1.019	1.019	1.019
Oct-Dec	1.000	1.080	1.064	1.047	1.099	1.223	1.223	1.223

*Seasonality factors used to assess calculated trends (based on significant membership changes by plan, given high CY deductibles) as well as incorporated into LLR projections. Factors developed based on AHP analysis of monthly pmprn claims costs, normalized for changes in claims duration, plan-mix, benefit factors (see attached summary of analysis).

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Appendix I

Summary of AHP Estimated Underlying Benefit Seasonality Factors By Qtr

Development of Estimated Underlying Benefits Seasonality Factors by Qtr

Member Months	Right (\$0 Avg Ded)					Saver (\$500 Avg Ded)					SmartS (\$1136 Avg Ded)					Tonik (\$1943 Avg Ded)									
	2006	2007	2008	2009	UnSm. W.Avg	Smoothed Wtd.Avg	2006	2007	2008	2009	UnSm. W.Avg	Smoothed Wtd.Avg	2006	2007	2008	2009	UnSm. W.Avg	Smoothed Wtd.Avg	2006	2007	2008	2009	UnSm. W.Avg	Smoothed Wtd.Avg	
Jan	91954	90589	84755	70022			32156	23523	19313	15912	0	0	4112	112055					28981	52237	63977	47640			
Feb	93697	90895	83419	69158			31595	23144	19003	15866	0	0	10841	120226					31677	54346	64161	46529			
Mar	94335	90614	81908	67123			29688	22755	18889	15815	0	0	22194	131516					34223	56381	61816	44923			
Apr	93808	89633	80425	65091			28425	22332	18670	15693	0	0	33199	138424					35999	57353	59817	43707			
May	93241	89017	79168	63878			27648	21996	18434	15596	0	0	43559	143517					37537	58215	58178	42867			
Jun	92538	88411	77913	62834			27002	21681	18118	15535	0	0	52912	147460					39107	59165	56842	42364			
Jul	92225	87804	76584	61942			26394	21319	17844	15422	0	0	64008	152721					40738	59899	55343	42198			
Aug	91909	87321	75342	61165			25913	21007	17536	15327	0	0	74713	158393					42743	60833	53975	41971			
Sep	91512	86790	74180				25412	20640	17170		0	0	84119						44921	61550	52598				
Oct	91367	86537	73228				24944	20311	16819		0	0	92296						47022	62231	51218				
Nov	91257	86328	72136				24474	19955	16519		0	0	99125						48847	63130	49924				
Dec	90894	85813	71132				24011	19671	16249		0	745	105131						50376	63718	48784				
Normalized Inc'd Clms PMPM (Normlized for Claims Duration, Plan-Mix, Benefit Fact)																									
Jan	76.52	85.06	85.81	103.90			78.20	87.01	78.49	117.74	0	0	107.77	88.09					82.73	91.82	90.92	87.69			
Feb	79.65	78.59	88.88	89.83			81.16	88.26	81.45	82.46	0	0	59.18	80.80					69.46	94.38	92.53	80.67			
Mar	82.19	95.11	93.99	116.26			101.50	97.48	89.92	96.58	0	0	66.65	104.66					78.10	93.72	96.19	95.85			
Apr	78.40	79.12	102.64	108.14			77.46	78.83	88.97	107.74	0	0	78.26	89.71					85.05	92.46	80.71	127.92			
May	82.03	90.50	111.01	118.13			91.50	87.51	70.98	81.69	0	0	112.10	100.27					78.38	90.22	91.20	103.29			
Jun	90.72	80.67	103.61	118.66			86.10	88.92	89.17	132.34	0	0	92.02	107.56					86.54	96.04	90.93	116.74			
Jul	81.85	82.63	107.39	125.58			88.63	100.75	84.33	113.52	0	0	89.87	97.50					95.64	95.27	98.43	115.05			
Aug	87.98	90.67	99.91	115.22			111.90	86.74	76.57	114.52	0	0	83.24	99.11					95.76	85.10	96.81	115.23			
Sep	74.85	87.76	97.31				123.52	75.47	72.15		0	0	84.05						87.29	90.22	93.73				
Oct	84.65	89.39	108.25				124.77	111.99	112.38		0	0	85.40						101.21	96.14	113.86				
Nov	87.56	87.43	96.39				92.33	114.94	97.70		0	0	82.13						96.31	84.47	91.60				
Dec	85.25	91.44	118.21				97.26	81.32	104.94		0	92.81	100.23						82.35	104.96	121.60				
AHP Estim Seasonality Factors, based on Anthem Normalized Inc'd Clms PMPM **																									
Jan	1.01	0.91	0.97	0.96	1.00		0.89	0.89	1.20	0.97	0.95		0.96	0.96	0.96			0.99	0.99	0.85	0.95	0.96			
Feb	0.93	0.93	0.82	0.90	1.00		0.91	0.93	0.81	0.89	0.95		0.87	0.87	0.96			1.02	1.00	0.77	0.94	0.96			
Mar	1.12	0.98	1.05	1.05	1.00		1.04	1.04	0.94	1.01	0.95		1.12	1.12	0.96			1.02	1.03	0.91	0.99	0.96			
Apr	0.92	1.05	0.97	0.98	1.00		0.86	1.03	1.04	0.96	0.97		0.93	0.95	0.94	0.98		1.00	0.86	1.19	1.00	0.99			
May	1.01	1.05	1.13	1.06	1.00		0.97	0.95	0.83	0.93	0.97		1.31	1.31	0.98	0.96		0.92	0.99	0.96	0.96	0.99			
Jun	1.11	0.94	1.04	1.03	1.00		0.90	0.96	1.03	0.96	0.97		1.06	1.06	0.98	0.98		1.01	1.04	0.95	1.00	0.99			
Jul	0.99	0.95	1.05	1.00	1.00		0.92	1.10	0.95	0.99	1.00		1.05	1.05	1.00	1.00		1.10	1.03	1.02	1.04	1.00			
Aug	1.06	1.04	0.97	1.03	1.00		1.15	0.96	0.85	1.00	1.00		0.97	0.97	1.00	1.00		1.08	0.92	1.01	0.99	1.00			
Sep	0.89	1.00	0.94	0.94	1.00		1.27	0.84	0.79	1.00	1.00		0.95	0.95	1.00	1.00		0.97	0.97	0.98	0.98	1.00			
Oct	1.00	1.01	1.03	1.01	1.00		1.28	1.24	1.22	1.25	1.08		0.94	0.94	1.06	1.06		1.11	1.04	1.17	1.10	1.05			
Nov	1.03	0.97	0.92	0.98	1.00		0.95	1.28	1.05	1.08	1.08		0.91	0.91	1.06	1.06		1.05	0.92	0.92	0.96	1.05			
Dec	1.01	0.99	1.11	1.03	1.00		1.00	0.91	1.10	1.00	1.08		1.11	1.11	1.06	1.06		0.89	1.14	1.20	1.08	1.05			
					12.0	12.00						12.0	12.00						12.2	12.00					
Average Factors by Qtr																									
Jan-Mar	0.97	1.000					0.958	0.950					Smart Sense smoothed	0.956					0.962	0.961					
Apr-Jun	1.02	1.000					0.949	0.970					season. factors selected	0.979					0.988	0.987					
Jul-Sep	0.99	1.000					0.997	1.000					as Avg of Saver & Tonik,	1.002					1.004	1.004					
Oct-Dec	1.01	1.000					1.112	1.080					due to lack of SS exper.	1.064					1.048	1.047					

** Unsmoothed monthly seasonality factor calc'd relative to centered-12-mo avg normalized pmpms, non-wtd to neutralize for trend, w/ an adjustment for for endpt mo's
Note that unsmoothed factors by Indiv CY may not sum to 12.0 since monthly seas. factors are developed using unadj. centered data that can span 2 calendar years.

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Appendix I

Summary of AHP Estimated Underlying Benefit Seasonality Factors By Qtr

Development of Estimated Underlying Benefits Seasonality Factors by Qtr

Member Months	Share (\$4416 Avg Ded)					CDHP (\$2532 Avg Ded; applic to Rx)				3500 (\$3500 Avg Ded; applic to HSA Rx)				CDHP + 3500 Combined			
	2006	2007	2008	2009	UnSm. W.Avg	Smoothed Wtd.Avg	2006	2007	2008	2009	2006	2007	2008	2009	UnSm. W.Avg	Smoothed Wtd.Avg	
Jan	121255	129980	126337	116491			0	3636	18938		33226	53236	74505	84435			
Feb	121984	130333	125411	116645			0	4577	20386		35322	54771	75501	85271			
Mar	126501	131350	126791	112410			0	5905	22519		38795	57655	76867	85525			
Apr	128444	131340	126296	108171			195	7154	23691		41446	59708	77982	85745			
May	129173	131097	125326	105870			453	8513	24713		43286	61629	78763	86353			
Jun	129657	130571	124236	104097			737	9718	25587		44713	63289	79401	86757			
Jul	130048	130003	123185	102650			1097	11067	26658		46225	64893	80227	87352			
Aug	130379	129573	122103	101127			1451	12578	27749		47583	66539	80875	87736			
Sep	130505	128837	120708				1774	13830			48878	68154	81379				
Oct	130614	128594	119628				2246	15049			50089	69942	82067				
Nov	130704	128180	118553				2605	16245			51152	71794	82554				
Dec	130416	127469	117401				2980	17416			51966	73219	83135				
Normalized Inc'd Clms PMPM (Normlized for Claims Duration, Plan-Mix, Benefit Fact)																	
Jan	85.09	99.11	111.82	119.10			0	189.08	141.58		83.25	105.25	47.16	73.32			
Feb	85.02	86.07	99.34	125.18			0	121.68	132.62		82.28	50.95	63.45	64.09			
Mar	103.53	104.90	109.13	142.09			0	116.16	139.13		77.36	86.26	78.35	90.47			
Apr	83.77	112.66	123.82	148.56			106.99	99.84	155.05		63.84	66.15	77.15	66.66			
May	95.74	99.59	121.11	151.77			213.23	264.98	181.52		73.79	74.70	96.30	85.92			
Jun	105.95	107.24	122.84	177.08			275.45	134.92	177.49		65.89	76.52	77.12	76.99			
Jul	93.75	116.10	111.57	181.86			147.63	303.05	197.13		68.37	79.37	87.65	105.58			
Aug	112.69	136.89	125.25	167.70			193.46	170.48	167.50		95.02	85.83	83.84	90.75			
Sep	95.70	112.69	131.21				92.99	210.61			74.10	90.32	81.77				
Oct	99.82	141.65	136.25				171.27	271.61			69.16	106.39	97.41				
Nov	134.56	121.69	144.70				268.95	159.02			87.51	80.11	107.18				
Dec	109.43	129.53	146.27				144.70	194.46			138.38	104.37	127.63				
AHP Estim Seasonality Factors, based on Anthem Normalized Inc'd Clms PMPM **																	
Jan		0.94	0.93	0.84	0.91	0.90		1.12	0.78		1.27	0.57	0.84	0.85	0.85		
Feb		0.80	0.83	0.86	0.83	0.90		0.70	0.75		0.61	0.77	0.72	0.71	0.85		
Mar		0.96	0.91	0.96	0.94	0.90		0.65	0.77		1.03	0.95	1.01	0.97	0.85		
Apr		1.01	1.03	0.99	1.01	0.99		0.53	0.85		0.77	0.95	0.73	0.81	0.91		
May	0.97	0.88	1.00		0.95	0.99		1.42		0.92	0.86	1.17		1.02	0.91		
Jun	1.06	0.95	1.00		1.00	0.99		0.73		0.81	0.90	0.91		0.88	0.91		
Jul	0.93	1.01	0.90		0.95	1.01		1.64		0.83	0.97	1.01		0.99	1.02		
Aug	1.11	1.18	1.00		1.10	1.01		0.93		1.16	1.08	0.96		1.04	1.02		
Sep	0.94	0.97	1.03		0.98	1.01		1.14		0.91	1.13	0.93		1.00	1.02		
Oct	0.97	1.21	1.05		1.08	1.10			1.01	0.85	1.33	1.10		1.14	1.22		
Nov	1.29	1.03	1.09		1.14	1.10		1.57	0.85	1.07	0.99	1.23		1.09	1.22		
Dec	1.05	1.08	1.08		1.07	1.10		0.86	1.05	1.68	1.27	1.47		1.41	1.22		
Average Factors by Qtr																	
Jan-Mar					0.892	0.896								0.843	0.848		
Apr-Jun					0.988	0.992								0.904	0.910		
Jul-Sep					1.008	1.013								1.013	1.019		
Oct-Dec					1.094	1.099								1.215	1.223		

** Unsmoothed monthly seasonality factor calc'd relative to centered-12-mo avg normalized prmps, non-wtd to neutralize for trend, w/ an adjustment for for endpt mo's
Note that unsmoothed factors by Indiv CY may not sum to 12.0 since monthly seas. factors are developed using unadj. centered data that can span 2 calendar years.

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Appendix J-1 Scenario 1

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

SmartSense
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	745			109.69	62.02	56.5%							1.077	1.077	88	50	
2008	686,208	0.951	0.784	111.31	68.93	61.9%	1.015			1.111			1.045	1.044	79,810	49,387	
2009	1,781,560	0.968	0.883	126.25	89.24	70.7%	1.134	1.018	1.115	1.295	1.127	1.149	1.007	1.003	226,393	159,461	
2010	2,130,060	0.988	0.940	162.88	112.16	68.9%	1.290	1.021	1.264	1.257	1.065	1.180	0.967	0.967	335,329	230,913	
2011	1,754,268	1.022	1.019	194.44	136.45	70.2%	1.194	1.034	1.154	1.217	1.083	1.123	0.929	0.928	316,711	222,190	
2012	1,099,797	1.080	1.121	220.83	162.12	73.4%	1.136	1.057	1.074	1.188	1.100	1.080	0.890	0.890	216,142	158,653	
2013	714,070	1.151	1.255	253.31	196.08	77.4%	1.147	1.065	1.077	1.209	1.119	1.080	0.853	0.853	154,311	119,417	
2014	472,782	1.233	1.437	292.13	242.54	83.0%	1.153	1.071	1.077	1.237	1.145	1.080	0.818	0.818	112,954	93,752	
2015	319,475	1.329	1.636	339.57	298.34	87.9%	1.162	1.078	1.078	1.230	1.139	1.080	0.784	0.784	85,047	74,709	
2016	222,206	1.420	1.784	394.17	351.18	89.1%	1.161	1.069	1.086	1.177	1.090	1.080	0.751	0.751	65,819	58,641	
2017	158,254	1.487	1.858	449.89	395.04	87.8%	1.141	1.047	1.090	1.125	1.042	1.080	0.720	0.720	51,293	45,042	
2018	113,310	1.531	1.923	503.58	441.48	87.7%	1.119	1.030	1.087	1.118	1.035	1.080	0.691	0.691	39,413	34,549	
2019	81,130	1.564	2.034	557.22	504.48	90.5%	1.107	1.021	1.083	1.143	1.058	1.080	0.662	0.662	29,937	27,100	
2020	58,089	1.587	2.140	612.73	573.25	93.6%	1.100	1.015	1.083	1.136	1.052	1.080	0.635	0.635	22,596	21,137	
2021	41,592	1.598	2.201	668.76	636.61	95.2%	1.091	1.007	1.084	1.111	1.029	1.080	0.609	0.609	16,929	16,115	
2022	29,780	1.598	2.202	723.77	687.76	95.0%	1.082	1.000	1.082	1.080	1.000	1.080	0.584	0.583	12,577	11,951	
2023	21,322	1.598	2.202	781.68	742.78	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	9,324	8,860	
2024	15,267	1.598	2.202	844.21	802.21	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	6,912	6,568	
2025	10,931	1.598	2.202	911.75	866.38	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	5,124	4,869	
Total Historical	1,791,266			APV	APV								Total Historical		214,933	141,309	65.75%
Total Future	7,919,582			198.47	151.78	76.48%							Total Future		1,571,776	1,202,054	76.48%
Total Lifetime	9,710,847			183.99	138.34	75.19%							Total Lifetime		1,786,709	1,343,363	75.19%
2009 Jan-Aug	1,104,312	0.965	0.871	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,873	
2009 Sep-Dec	677,248	0.972	0.903	135.63	100.36	74.0%							2009 Sep-Dec		91,359	67,589	
2009 Total	1,781,560	0.968	0.883	126.25	89.24	70.7%							2009 Total		226,393	159,461	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Share
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	4,028,982			147.65	104.29	70.6%							1.171	1.177	696,580	494,547	
2008	1,466,368	1.147	1.187	176.93	126.61	71.6%	1.198			1.214			1.052	1.051	273,010	195,154	
2009	1,248,364	1.169	1.216	213.62	170.72	79.9%	1.207	1.019	1.185	1.348	1.025	1.316	1.009	1.006	269,127	214,418	
2010	910,688	1.217	1.292	291.25	202.65	69.6%	1.363	1.041	1.310	1.187	1.063	1.117	0.967	0.968	256,614	178,565	
2011	641,467	1.274	1.373	345.29	246.78	71.5%	1.186	1.047	1.133	1.218	1.062	1.146	0.928	0.928	205,604	146,925	
2012	433,813	1.344	1.469	394.07	285.45	72.4%	1.141	1.055	1.081	1.157	1.070	1.081	0.890	0.890	152,112	110,176	
2013	299,019	1.401	1.558	445.15	326.93	73.4%	1.130	1.042	1.084	1.145	1.061	1.080	0.853	0.853	113,546	83,384	
2014	208,899	1.442	1.634	496.72	369.08	74.3%	1.116	1.029	1.084	1.129	1.048	1.077	0.818	0.818	84,858	63,047	
2015	147,591	1.468	1.685	547.90	410.42	74.9%	1.103	1.018	1.083	1.112	1.031	1.078	0.784	0.784	63,401	47,489	
2016	105,156	1.486	1.722	600.19	452.55	75.4%	1.095	1.012	1.082	1.103	1.022	1.079	0.752	0.752	47,435	35,764	
2017	75,222	1.500	1.754	655.20	497.87	76.0%	1.092	1.009	1.082	1.100	1.019	1.080	0.721	0.720	35,511	26,983	
2018	53,859	1.510	1.783	713.81	548.04	76.8%	1.089	1.007	1.082	1.101	1.017	1.083	0.691	0.691	26,557	20,388	
2019	38,563	1.518	1.811	775.97	602.85	77.7%	1.087	1.005	1.082	1.100	1.016	1.083	0.662	0.662	19,817	15,395	
2020	27,611	1.521	1.825	841.15	656.93	78.1%	1.084	1.002	1.082	1.090	1.008	1.081	0.635	0.635	14,745	11,515	
2021	19,770	1.522	1.832	909.91	712.67	78.3%	1.082	1.001	1.081	1.085	1.004	1.081	0.609	0.609	10,949	8,575	
2022	14,155	1.522	1.832	982.94	769.73	78.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.583	8,119	6,357	
2023	10,135	1.522	1.832	1061.58	831.31	78.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	6,019	4,713	
2024	7,257	1.522	1.832	1146.50	897.81	78.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	4,462	3,494	
2025	5,196	1.522	1.832	1238.22	969.64	78.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	3,308	2,590	
Total Historical	6,362,811			APV	APV								Total Historical		1,154,068	827,428	71.70%
Total Future	3,379,302			336.67	249.18	74.01%							Total Future		1,137,705	842,051	74.01%
Total Lifetime	9,742,114			235.24	171.37	72.85%							Total Lifetime		2,291,772	1,669,479	72.85%
2009 Jan-Aug	867,461	1.166	1.207	209.33	156.80	74.9%							2009 Jan-Aug		184,477	137,728	
2009 Sep-Dec	380,903	1.178	1.237	223.38	202.41	90.6%							2009 Sep-Dec		84,650	76,691	
2009 Total	1,248,364	1.169	1.216	213.62	170.72	79.9%							2009 Total		269,127	214,418	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-1 Scenario 1

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

3500
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	954,215			127.72	71.18	55.7%							1.122	1.118	136,704	75,936	
2008	853,262	1.008	1.014	131.01	81.66	62.3%	1.026			1.147			1.051	1.048	117,524	73,053	
2009	1,033,798	1.037	1.101	143.96	93.67	65.1%	1.099	1.028	1.069	1.147	1.086	1.056	1.008	1.003	150,082	97,122	
2010	1,014,417	1.069	1.201	169.63	115.74	68.2%	1.178	1.031	1.143	1.236	1.090	1.133	0.967	0.967	166,382	113,482	
2011	871,055	1.119	1.355	194.12	149.02	76.8%	1.144	1.047	1.093	1.288	1.128	1.141	0.928	0.927	156,903	120,387	
2012	652,266	1.202	1.581	224.60	187.87	83.6%	1.157	1.073	1.078	1.261	1.167	1.080	0.889	0.889	130,300	108,960	
2013	498,305	1.283	1.779	259.95	228.53	87.9%	1.157	1.068	1.084	1.216	1.125	1.081	0.853	0.853	110,446	97,084	
2014	385,123	1.362	1.952	298.68	271.29	90.8%	1.149	1.061	1.082	1.187	1.097	1.082	0.817	0.817	94,026	85,392	
2015	300,483	1.438	2.126	341.38	319.44	93.6%	1.143	1.056	1.083	1.177	1.089	1.081	0.784	0.784	80,387	75,210	
2016	236,871	1.502	2.272	386.82	368.67	95.3%	1.133	1.044	1.085	1.154	1.069	1.080	0.751	0.751	68,833	65,599	
2017	188,327	1.548	2.373	432.89	415.77	96.0%	1.119	1.030	1.086	1.128	1.045	1.080	0.720	0.720	58,715	56,391	
2018	150,052	1.577	2.450	478.52	464.18	97.0%	1.105	1.019	1.085	1.116	1.032	1.081	0.690	0.690	49,580	48,090	
2019	119,555	1.595	2.525	523.87	517.49	98.8%	1.095	1.011	1.082	1.115	1.031	1.082	0.662	0.662	41,462	40,953	
2020	95,257	1.607	2.591	570.99	574.04	100.5%	1.090	1.008	1.082	1.109	1.026	1.081	0.635	0.635	34,517	34,698	
2021	75,897	1.613	2.629	620.07	629.54	101.5%	1.086	1.003	1.082	1.097	1.015	1.081	0.608	0.608	28,632	29,069	
2022	60,471	1.613	2.630	670.30	680.02	101.5%	1.081	1.000	1.081	1.080	1.000	1.080	0.583	0.583	23,643	23,985	
2023	48,181	1.613	2.630	723.92	734.42	101.5%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	19,505	19,787	
2024	38,389	1.613	2.630	781.84	793.17	101.5%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	16,089	16,322	
2025	30,587	1.613	2.630	844.38	856.63	101.5%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	13,273	13,465	
Total Historical	2,491,671			APV	APV		Total Historical								353,332	205,008	58.02%
Total Future	5,114,841			223.60	193.55	86.56%	Total Future								1,143,670	989,978	86.56%
Total Lifetime	7,606,511			196.81	157.10	79.83%	Total Lifetime								1,497,002	1,194,986	79.83%
2009 Jan-Aug	684,194	1.032	1.086	142.62	81.11	56.9%							2009 Jan-Aug		99,104	56,020	
2009 Sep-Dec	349,603	1.045	1.131	146.58	118.25	80.7%							2009 Sep-Dec		50,978	41,102	
2009 Total	1,033,798	1.037	1.101	143.96	93.67	65.1%							2009 Total		150,082	97,122	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

CDHP w/ Mat
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	12,141			179.13	107.64	60.1%							1.085	1.085	2,361	1,417	
2008	64,348	0.923	0.798	184.27	215.37	116.9%	1.029			2.001			1.049	1.046	12,439	14,502	
2009	104,769	0.954	0.888	187.67	271.99	144.9%	1.018	1.033	0.985	1.263	1.113	1.135	1.009	1.005	19,829	28,634	
2010	102,582	1.000	0.967	244.14	363.38	148.8%	1.301	1.049	1.241	1.336	1.090	1.226	0.967	0.967	24,211	36,035	
2011	81,840	1.063	1.073	320.04	456.10	142.5%	1.311	1.063	1.233	1.255	1.109	1.131	0.928	0.928	24,319	34,642	
2012	51,812	1.170	1.228	378.73	563.66	148.8%	1.183	1.101	1.075	1.236	1.144	1.080	0.890	0.890	17,463	25,984	
2013	33,771	1.268	1.368	446.99	677.97	151.7%	1.180	1.084	1.089	1.203	1.114	1.080	0.853	0.853	12,878	19,531	
2014	22,559	1.343	1.467	516.57	785.36	152.0%	1.156	1.059	1.092	1.158	1.073	1.080	0.818	0.818	9,531	14,488	
2015	15,428	1.392	1.542	583.42	890.97	152.7%	1.129	1.036	1.090	1.134	1.051	1.080	0.784	0.784	7,058	10,778	
2016	10,794	1.424	1.575	647.57	982.93	151.8%	1.110	1.023	1.085	1.103	1.021	1.080	0.752	0.752	5,254	7,974	
2017	7,694	1.451	1.609	713.17	1085.03	152.1%	1.101	1.019	1.081	1.104	1.022	1.080	0.721	0.720	3,954	6,014	
2018	5,509	1.480	1.674	785.55	1218.84	155.2%	1.101	1.020	1.080	1.123	1.040	1.080	0.691	0.691	2,989	4,638	
2019	3,944	1.502	1.745	863.43	1372.66	159.0%	1.099	1.015	1.082	1.126	1.043	1.080	0.662	0.662	2,256	3,585	
2020	2,824	1.516	1.798	943.50	1526.98	161.8%	1.093	1.009	1.083	1.112	1.030	1.080	0.635	0.635	1,692	2,738	
2021	2,022	1.522	1.831	1025.63	1679.63	163.8%	1.087	1.004	1.083	1.100	1.019	1.080	0.609	0.609	1,262	2,067	
2022	1,448	1.522	1.832	1108.94	1814.41	163.6%	1.081	1.000	1.081	1.080	1.000	1.080	0.584	0.583	937	1,533	
2023	1,037	1.522	1.832	1197.66	1959.56	163.6%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	695	1,136	
2024	742	1.522	1.832	1293.47	2116.32	163.6%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	515	842	
2025	531	1.522	1.832	1396.95	2285.63	163.6%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	382	624	
Total Historical	145,614			APV	APV		Total Historical						Total Historical		27,791	32,135	115.63%
Total Future	380,182			321.51	486.68	151.38%	Total Future						Total Future		122,232	185,029	151.38%
Total Lifetime	525,796			285.33	413.02	144.75%	Total Lifetime						Total Lifetime		150,023	217,164	144.75%
2009 Jan-Aug	69,125	0.945	0.867	185.00	231.69	125.2%							2009 Jan-Aug		12,991	16,216	
2009 Sep-Dec	35,644	0.970	0.928	192.85	350.15	181.6%							2009 Sep-Dec		6,837	12,419	
2009 Total	104,769	0.954	0.888	187.67	271.99	144.9%							2009 Total		19,829	28,634	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-1 Scenario 1

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

CDHP No Mat
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	89			115.81	311.64	269.1%							1.077	1.077	11	30	
2008	61,271	0.923	0.664	129.91	70.80	54.5%	1.122			0.227			1.045	1.043	8,314	4,526	
2009	205,202	0.945	0.778	142.70	71.51	50.1%	1.098	1.024	1.073	1.010	1.172	0.862	1.006	1.002	29,455	14,707	
2010	320,547	0.970	0.879	167.60	94.11	56.2%	1.174	1.027	1.144	1.316	1.130	1.164	0.966	0.965	51,890	29,120	
2011	324,593	1.011	1.041	190.32	125.48	65.9%	1.136	1.043	1.089	1.333	1.184	1.126	0.928	0.927	57,329	37,768	
2012	237,315	1.081	1.269	218.61	165.13	75.5%	1.149	1.069	1.075	1.316	1.219	1.080	0.889	0.889	46,146	34,842	
2013	178,164	1.153	1.476	252.05	207.38	82.3%	1.153	1.067	1.081	1.256	1.163	1.080	0.853	0.852	38,292	31,497	
2014	134,844	1.233	1.685	290.35	255.68	88.1%	1.152	1.069	1.077	1.233	1.141	1.080	0.817	0.817	32,006	28,175	
2015	103,070	1.328	1.924	337.08	315.37	93.6%	1.161	1.077	1.078	1.233	1.142	1.080	0.784	0.784	27,227	25,468	
2016	80,189	1.422	2.115	391.50	374.28	95.6%	1.161	1.070	1.085	1.187	1.099	1.080	0.751	0.751	23,583	22,545	
2017	63,577	1.493	2.213	448.17	422.90	94.4%	1.145	1.050	1.090	1.130	1.046	1.080	0.720	0.720	20,520	19,364	
2018	50,656	1.541	2.283	503.04	471.26	93.7%	1.122	1.032	1.088	1.114	1.032	1.080	0.690	0.690	17,595	16,482	
2019	40,360	1.574	2.403	556.73	535.85	96.2%	1.107	1.021	1.084	1.137	1.053	1.080	0.662	0.662	14,875	14,314	
2020	32,158	1.600	2.540	612.73	611.60	99.8%	1.101	1.017	1.083	1.141	1.057	1.080	0.635	0.634	12,504	12,479	
2021	25,622	1.613	2.629	670.05	683.41	102.0%	1.094	1.008	1.085	1.117	1.035	1.080	0.608	0.608	10,445	10,653	
2022	20,414	1.613	2.630	725.43	738.37	101.8%	1.083	1.000	1.083	1.080	1.000	1.080	0.583	0.583	8,638	8,792	
2023	16,265	1.613	2.630	783.46	797.44	101.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	7,126	7,253	
2024	12,960	1.613	2.630	846.14	861.23	101.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	5,878	5,983	
2025	10,326	1.613	2.630	913.83	930.13	101.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	4,849	4,936	
Total Historical	182,476			APV	APV		Total Historical						Total Historical		25,330	13,216	52.17% 80.67% 78.94%
Total Future	1,735,146			225.54	181.96	80.67%	Total Future						Total Future		391,353	315,720	
Total Lifetime	1,917,622			217.29	171.53	78.94%	Total Lifetime						Total Lifetime		416,683	328,936	
2009 Jan-Aug	121,116	0.940	0.758	138.41	70.98	51.3%							2009 Jan-Aug		17,005	8,659	
2009 Sep-Dec	84,086	0.951	0.806	148.88	72.28	48.6%							2009 Sep-Dec		12,450	6,048	
2009 Total	205,202	0.945	0.778	142.70	71.51	50.1%							2009 Total		29,455	14,707	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Saver
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	642,980			152.50	107.11	70.2%							1.173	1.178	115,009	81,109	
2008	178,488	1.187	1.335	196.00	116.22	59.3%	1.285			1.085			1.052	1.051	36,806	21,803	
2009	182,608	1.225	1.399	199.56	158.94	79.6%	1.018	1.032	0.987	1.368	1.048	1.305	1.009	1.006	36,778	29,192	
2010	144,617	1.265	1.471	231.36	180.55	78.0%	1.159	1.032	1.123	1.136	1.051	1.080	0.968	0.968	32,382	25,264	
2011	101,279	1.328	1.589	267.09	220.35	82.5%	1.154	1.050	1.100	1.220	1.081	1.129	0.928	0.928	25,109	20,712	
2012	69,558	1.394	1.715	303.41	256.20	84.4%	1.136	1.050	1.082	1.163	1.079	1.077	0.890	0.890	18,778	15,854	
2013	48,512	1.450	1.834	341.41	295.73	86.6%	1.125	1.040	1.082	1.154	1.069	1.080	0.853	0.853	14,128	12,236	
2014	34,111	1.496	1.947	381.39	339.60	89.0%	1.117	1.032	1.082	1.148	1.062	1.081	0.818	0.818	10,639	9,472	
2015	24,142	1.533	2.036	423.22	384.19	90.8%	1.110	1.025	1.083	1.131	1.046	1.082	0.784	0.784	8,010	7,271	
2016	17,216	1.559	2.093	466.56	427.02	91.5%	1.102	1.017	1.084	1.111	1.028	1.081	0.752	0.752	6,037	5,525	
2017	12,320	1.576	2.123	510.96	468.37	91.7%	1.095	1.010	1.084	1.097	1.015	1.081	0.721	0.720	4,536	4,158	
2018	8,821	1.585	2.147	556.43	512.34	92.1%	1.089	1.006	1.082	1.094	1.011	1.082	0.691	0.691	3,391	3,122	
2019	6,316	1.592	2.173	604.11	561.63	93.0%	1.086	1.004	1.081	1.096	1.012	1.083	0.662	0.662	2,527	2,349	
2020	4,522	1.597	2.196	655.07	614.03	93.7%	1.084	1.003	1.081	1.093	1.010	1.082	0.635	0.635	1,881	1,763	
2021	3,238	1.598	2.202	708.61	665.51	93.9%	1.082	1.001	1.081	1.084	1.003	1.081	0.609	0.609	1,397	1,312	
2022	2,318	1.598	2.202	765.45	718.77	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.583	1,036	972	
2023	1,660	1.598	2.202	826.69	776.28	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	768	721	
2024	1,189	1.598	2.202	892.82	838.38	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	569	534	
2025	851	1.598	2.202	964.25	905.45	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	422	396	
Total Historical	945,349			APV	APV		Total Historical								176,963	121,323	68.56%
Total Future	539,398			265.55	227.00	85.48%	Total Future								143,237	122,441	85.48%
Total Lifetime	1,484,747			215.66	164.18	76.13%	Total Lifetime								320,199	243,765	76.13%
2009 Jan-Aug	123,881	1.222	1.391	199.80	146.79	73.5%	2009 Jan-Aug								25,149	18,411	
2009 Sep-Dec	58,727	1.233	1.415	199.04	184.58	92.7%	2009 Sep-Dec								11,629	10,781	
2009 Total	182,608	1.225	1.399	199.56	158.94	79.6%	2009 Total								36,778	29,192	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

This report has been prepared for the exclusive use of the California Department of Insurance and we have provided it only to them. This report includes material and references to material that has been labeled "confidential/trade secret" information by Anthem when initially submitted to the California Department of Insurance. It is critical that this report be reviewed in its entirety to assure that no conclusion or assessment is taken out of context.

Appendix J-1 Scenario 1

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

Right
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	1,782,611			133.58	97.71	73.2%							1.129	1.134	268,912	197,562	
2008	922,591	1.053	1.064	166.43	115.18	69.2%	1.246			1.179			1.053	1.052	161,611	111,791	
2009	753,356	1.090	1.138	194.11	139.42	71.8%	1.166	1.035	1.127	1.210	1.070	1.131	1.009	1.007	147,591	105,725	
2010	563,580	1.139	1.249	255.84	177.79	69.5%	1.318	1.045	1.261	1.275	1.097	1.162	0.967	0.967	139,490	96,939	
2011	401,917	1.202	1.374	302.67	220.52	72.9%	1.183	1.055	1.121	1.240	1.100	1.127	0.928	0.928	112,923	82,256	
2012	268,883	1.287	1.519	349.21	262.48	75.2%	1.154	1.070	1.078	1.190	1.106	1.077	0.890	0.890	83,546	62,790	
2013	184,299	1.363	1.646	400.71	307.14	76.6%	1.147	1.060	1.083	1.170	1.083	1.080	0.853	0.853	62,994	48,279	
2014	128,436	1.432	1.774	455.20	357.98	78.6%	1.136	1.050	1.082	1.166	1.078	1.082	0.818	0.818	47,809	37,592	
2015	90,481	1.491	1.912	514.01	416.79	81.1%	1.129	1.042	1.084	1.164	1.078	1.080	0.784	0.784	36,461	29,561	
2016	64,324	1.535	2.012	574.46	473.59	82.4%	1.118	1.029	1.086	1.136	1.052	1.080	0.752	0.751	27,770	22,893	
2017	45,993	1.562	2.077	634.83	528.14	83.2%	1.105	1.018	1.085	1.115	1.032	1.080	0.721	0.720	21,037	17,501	
2018	32,931	1.579	2.122	695.67	584.24	84.0%	1.096	1.011	1.084	1.106	1.022	1.083	0.691	0.691	15,825	13,289	
2019	23,578	1.589	2.160	757.64	644.08	85.0%	1.089	1.006	1.082	1.102	1.018	1.083	0.662	0.662	11,830	10,057	
2020	16,882	1.595	2.187	822.45	705.18	85.7%	1.086	1.004	1.082	1.095	1.012	1.082	0.635	0.635	8,815	7,558	
2021	12,088	1.598	2.202	890.77	767.60	86.2%	1.083	1.002	1.081	1.089	1.007	1.081	0.609	0.609	6,553	5,647	
2022	8,655	1.598	2.202	962.48	829.09	86.1%	1.081	1.000	1.080	1.080	1.000	1.080	0.584	0.583	4,861	4,187	
2023	6,197	1.598	2.202	1039.48	895.41	86.1%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	3,603	3,104	
2024	4,437	1.598	2.202	1122.64	967.05	86.1%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	2,671	2,301	
2025	3,177	1.598	2.202	1212.45	1044.41	86.1%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	1,980	1,706	
Total Historical	3,226,415			APV	APV								Total Historical		531,740	380,646	71.58%
Total Future	2,087,998			303.90	229.93	75.66%							Total Future		634,542	480,091	75.66%
Total Lifetime	5,314,414			219.46	161.96	73.80%							Total Lifetime		1,166,282	860,737	73.80%
2009 Jan-Aug	521,213	1.083	1.123	191.13	135.09	70.7%							2009 Jan-Aug		101,218	71,293	
2009 Sep-Dec	232,143	1.104	1.173	200.79	149.12	74.3%							2009 Sep-Dec		46,373	34,432	
2009 Total	753,356	1.090	1.138	194.11	139.42	71.8%							2009 Total		147,591	105,725	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Tonik
Scenario 1

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	764,405			128.78	102.96	80.0%							1.112	1.114	109,421	87,707	
2008	668,355	1.008	0.982	149.07	94.99	63.7%	1.158			0.923			1.053	1.053	104,909	66,835	
2009	518,933	1.040	1.038	157.41	109.23	69.4%	1.056	1.033	1.023	1.150	1.057	1.088	1.009	1.006	82,449	56,997	
2010	486,678	1.057	1.064	188.06	123.52	65.7%	1.195	1.016	1.176	1.131	1.025	1.103	0.967	0.967	88,471	58,115	
2011	399,608	1.089	1.153	220.48	149.43	67.8%	1.172	1.030	1.138	1.210	1.083	1.117	0.928	0.928	81,800	55,419	
2012	255,569	1.165	1.303	252.82	181.30	71.7%	1.147	1.070	1.072	1.213	1.130	1.074	0.890	0.890	57,499	41,226	
2013	169,643	1.249	1.449	292.36	216.83	74.2%	1.156	1.072	1.079	1.196	1.113	1.075	0.853	0.853	42,307	31,373	
2014	115,750	1.328	1.587	335.77	255.31	76.0%	1.148	1.063	1.080	1.177	1.095	1.075	0.818	0.818	31,783	24,164	
2015	79,938	1.404	1.731	383.20	299.58	78.2%	1.141	1.058	1.079	1.173	1.091	1.076	0.784	0.784	24,015	18,772	
2016	56,014	1.472	1.875	434.21	349.51	80.5%	1.133	1.048	1.081	1.167	1.084	1.077	0.752	0.751	18,278	14,712	
2017	39,933	1.525	1.979	486.95	397.69	81.7%	1.121	1.036	1.083	1.138	1.056	1.078	0.720	0.720	14,010	11,441	
2018	28,592	1.558	2.044	539.29	442.79	82.1%	1.107	1.021	1.084	1.113	1.033	1.078	0.691	0.691	10,651	8,745	
2019	20,472	1.574	2.090	589.88	488.43	82.8%	1.094	1.011	1.082	1.103	1.022	1.079	0.662	0.662	7,997	6,621	
2020	14,658	1.589	2.153	642.93	542.73	84.4%	1.090	1.010	1.080	1.111	1.030	1.079	0.635	0.635	5,983	5,050	
2021	10,495	1.598	2.202	699.23	598.62	85.6%	1.088	1.005	1.082	1.103	1.023	1.079	0.609	0.609	4,466	3,824	
2022	7,514	1.598	2.202	756.25	646.68	85.5%	1.082	1.000	1.081	1.080	1.000	1.080	0.584	0.583	3,316	2,835	
2023	5,380	1.598	2.202	816.75	698.41	85.5%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	2,458	2,102	
2024	3,852	1.598	2.202	882.09	754.28	85.5%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	1,822	1,558	
2025	2,758	1.598	2.202	952.65	814.63	85.5%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	1,351	1,155	
Total Historical	1,784,959			APV	APV		Note - here the Total represents Med+Dent; however, the Index factor is applied to Med-only. The LLR model projections reflects this distinction; however, the above Incr attributed to "Other" factors (i.e., excl Index factor) has not been adjusted here to reflect this (shown here for informational purposes only).						Total Historical		270,472	192,159	71.05%
Total Future	1,863,588			226.72	164.46	72.54%							Total Future		422,514	306,493	72.54%
Total Lifetime	3,648,548			189.93	136.67	71.96%							Total Lifetime		692,986	498,652	71.96%
2009 Jan-Aug	352,199	1.037	1.035	156.85	105.61	67.3%							2009 Jan-Aug		56,142	37,618	
2009 Sep-Dec	166,733	1.048	1.045	158.60	116.87	73.7%							2009 Sep-Dec		26,307	19,380	
2009 Total	518,933	1.040	1.038	157.41	109.23	69.4%							2009 Total		82,449	56,997	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-2 Scenario 2

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

SmartSense
Scenario 2

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	745			109.69	62.02	0.57							1.08	1.07	88	50	
2008.00	686,208	0.95	0.75	111.31	68.93	0.62	1.01			1.11			1.04	1.04	79,810	49,300	
2009.00	1,781,560	0.97	0.86	126.44	86.09	0.68	1.14	1.02	1.12	1.25	1.14	1.09	1.01	1.00	226,731	153,619	
2010.00	2,130,060	0.99	0.92	163.23	101.83	0.62	1.29	1.02	1.26	1.18	1.08	1.10	0.97	0.96	336,025	209,193	
2011.00	1,754,268	1.02	1.01	194.05	122.87	0.63	1.19	1.03	1.15	1.21	1.09	1.10	0.93	0.93	316,061	199,626	
2012.00	1,099,797	1.08	1.12	221.81	146.93	0.66	1.14	1.06	1.08	1.20	1.11	1.08	0.89	0.89	217,098	143,472	
2013.00	714,070	1.15	1.24	255.24	176.44	0.69	1.15	1.07	1.08	1.20	1.11	1.08	0.85	0.85	155,487	107,221	
2014.00	472,782	1.23	1.40	295.33	214.58	0.73	1.16	1.07	1.08	1.22	1.13	1.08	0.82	0.82	114,188	82,767	
2015.00	319,475	1.33	1.57	343.92	260.56	0.76	1.16	1.08	1.08	1.21	1.12	1.08	0.78	0.78	86,136	65,104	
2016.00	222,206	1.42	1.73	396.95	309.16	0.78	1.15	1.07	1.08	1.19	1.10	1.08	0.75	0.75	66,285	51,506	
2017.00	158,254	1.49	1.84	448.70	355.35	0.79	1.13	1.05	1.08	1.15	1.06	1.08	0.72	0.72	51,159	40,423	
2018.00	113,310	1.53	1.92	499.05	400.10	0.80	1.11	1.03	1.08	1.13	1.04	1.08	0.69	0.69	39,060	31,244	
2019.00	81,130	1.56	1.97	550.47	445.14	0.81	1.10	1.02	1.08	1.11	1.03	1.08	0.66	0.66	29,575	23,862	
2020.00	58,089	1.59	2.01	603.37	490.02	0.81	1.10	1.01	1.08	1.10	1.02	1.08	0.63	0.63	22,251	18,030	
2021.00	41,592	1.60	2.03	655.91	533.50	0.81	1.09	1.01	1.08	1.09	1.01	1.08	0.61	0.61	16,604	13,475	
2022.00	29,780	1.60	2.03	708.44	576.24	0.81	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	12,310	9,991	
2023.00	21,322	1.60	2.03	765.11	622.33	0.81	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	9,126	7,407	
2024.00	15,267	1.60	2.03	826.32	672.12	0.81	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.54	6,765	5,490	
2025.00	10,931	1.60	2.03	892.43	725.89	0.81	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	5,015	4,070	
Total Historical	1,791,266			APV	APV		Total Historical						Total Historical		214,933	141,061	0.66
Total Future	7,919,582			198.85	135.71	0.68	Total Future						Total Future		1,574,841	1,074,790	0.68
Total Lifetime	9,710,847			184.31	125.21	0.68	Total Lifetime						Total Lifetime		1,789,774	1,215,851	0.68
2009 Jan-Aug	1,104,312	0.97	0.84	120.49	82.41	0.68	2009 Jan-Aug						2009 Jan-Aug		135,034	91,711	
2009 Sep-Dec	677,248	0.97	0.88	136.13	92.07	0.68	2009 Sep-Dec						2009 Sep-Dec		91,696	61,908	
2009 Total	1,781,560	0.97	0.86	126.44	86.09	0.68	2009 Total						2009 Total		226,731	153,619	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Share
Scenario 2

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	4,028,982			147.65	104.29	0.71							1.17	1.17	696,580	493,678	
2008.00	1,466,368	1.15	1.18	176.93	126.61	0.72	1.20			1.21			1.05	1.05	273,010	194,811	
2009.00	1,248,364	1.17	1.21	214.10	164.14	0.77	1.21	1.02	1.19	1.30	1.02	1.27	1.01	1.00	269,720	205,891	
2010.00	910,688	1.22	1.29	290.45	195.97	0.67	1.36	1.04	1.30	1.19	1.06	1.12	0.97	0.97	255,904	172,245	
2011.00	641,467	1.27	1.37	344.18	234.93	0.68	1.18	1.05	1.13	1.20	1.06	1.13	0.93	0.93	204,934	139,508	
2012.00	433,813	1.34	1.46	392.21	271.07	0.69	1.14	1.06	1.08	1.15	1.07	1.08	0.89	0.89	151,395	104,359	
2013.00	299,019	1.40	1.54	440.92	308.33	0.70	1.12	1.04	1.08	1.14	1.05	1.08	0.85	0.85	112,466	78,439	
2014.00	208,899	1.44	1.59	489.35	343.41	0.70	1.11	1.03	1.08	1.11	1.03	1.08	0.82	0.82	83,600	58,513	
2015.00	147,591	1.47	1.62	537.60	378.17	0.70	1.10	1.02	1.08	1.10	1.02	1.08	0.78	0.78	62,209	43,646	
2016.00	105,156	1.49	1.64	587.77	413.30	0.70	1.09	1.01	1.08	1.09	1.01	1.08	0.75	0.75	46,454	32,579	
2017.00	75,222	1.50	1.66	640.97	450.69	0.70	1.09	1.01	1.08	1.09	1.01	1.08	0.72	0.72	34,740	24,363	
2018.00	53,859	1.51	1.67	697.76	490.75	0.70	1.09	1.01	1.08	1.09	1.01	1.08	0.69	0.69	25,960	18,210	
2019.00	38,563	1.52	1.68	757.78	533.05	0.70	1.09	1.00	1.08	1.09	1.00	1.08	0.66	0.66	19,353	13,578	
2020.00	27,611	1.52	1.68	820.44	577.16	0.70	1.08	1.00	1.08	1.08	1.00	1.08	0.63	0.63	14,382	10,091	
2021.00	19,770	1.52	1.68	886.91	623.92	0.70	1.08	1.00	1.08	1.08	1.00	1.08	0.61	0.61	10,672	7,488	
2022.00	14,155	1.52	1.68	957.87	673.84	0.70	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	7,912	5,551	
2023.00	10,135	1.52	1.68	1034.50	727.75	0.70	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	5,865	4,115	
2024.00	7,257	1.52	1.68	1117.26	785.97	0.70	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.53	4,348	3,051	
2025.00	5,196	1.52	1.68	1206.65	848.84	0.70	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	3,223	2,262	
Total Historical	6,362,811			APV	APV		Total Historical						Total Historical		1,154,068	825,974	0.72
Total Future	3,379,302			333.99	232.71	0.70	Total Future						Total Future		1,128,658	786,403	0.70
Total Lifetime	9,742,114			234.32	165.51	0.71	Total Lifetime						Total Lifetime		2,282,726	1,612,378	0.71
2009 Jan-Aug	867,461	1.17	1.20	209.33	156.80	0.75	2009 Jan-Aug						2009 Jan-Aug		184,477	137,486	
2009 Sep-Dec	380,903	1.18	1.23	224.94	180.86	0.80	2009 Sep-Dec						2009 Sep-Dec		85,242	68,405	
2009 Total	1,248,364	1.17	1.21	214.10	164.14	0.77	2009 Total						2009 Total		269,720	205,891	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

This report has been prepared for the exclusive use of the California Department of Insurance and we have provided it only to them. This report includes material and references to material that has been labeled "confidential/trade secret" information by Anthem when initially submitted to the California Department of Insurance. It is critical that this report be reviewed in its entirety to assure that no conclusion or assessment is taken out of context.

Appendix J-2 Scenario 2

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

3500

Scenario 2

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	954,215			127.72	71.18	0.56							1.12	1.12	136,704	75,802	
2008.00	853,262	1.01	1.01	131.01	81.66	0.62	1.03			1.15			1.05	1.05	117,524	72,924	
2009.00	1,033,798	1.04	1.10	144.27	90.96	0.63	1.10	1.03	1.07	1.11	1.08	1.03	1.01	1.00	150,400	94,181	
2010.00	1,014,417	1.07	1.19	168.98	112.48	0.67	1.17	1.03	1.14	1.24	1.08	1.14	0.97	0.96	165,745	109,922	
2011.00	871,055	1.12	1.34	194.28	140.96	0.73	1.15	1.05	1.10	1.25	1.12	1.12	0.93	0.92	157,017	113,495	
2012.00	652,266	1.20	1.56	225.44	176.89	0.78	1.16	1.07	1.08	1.25	1.16	1.08	0.89	0.89	130,782	102,246	
2013.00	498,305	1.28	1.75	260.11	214.77	0.83	1.15	1.07	1.08	1.21	1.12	1.08	0.85	0.85	110,514	90,929	
2014.00	385,123	1.36	1.92	298.21	254.66	0.85	1.15	1.06	1.08	1.19	1.10	1.08	0.82	0.81	93,877	79,888	
2015.00	300,483	1.44	2.08	339.96	298.28	0.88	1.14	1.06	1.08	1.17	1.08	1.08	0.78	0.78	80,054	69,995	
2016.00	236,871	1.50	2.21	383.38	342.60	0.89	1.13	1.04	1.08	1.15	1.06	1.08	0.75	0.75	68,222	60,755	
2017.00	188,327	1.55	2.30	426.58	385.57	0.90	1.11	1.03	1.08	1.13	1.04	1.08	0.72	0.72	57,860	52,118	
2018.00	150,052	1.58	2.36	469.28	427.55	0.91	1.10	1.02	1.08	1.11	1.03	1.08	0.69	0.69	48,623	44,148	
2019.00	119,555	1.59	2.40	512.53	469.40	0.92	1.09	1.01	1.08	1.10	1.02	1.08	0.66	0.66	40,565	37,025	
2020.00	95,257	1.61	2.42	557.72	512.12	0.92	1.09	1.01	1.08	1.09	1.01	1.08	0.63	0.63	33,715	30,853	
2021.00	75,897	1.61	2.43	604.39	555.44	0.92	1.08	1.00	1.08	1.08	1.00	1.08	0.61	0.61	27,909	25,561	
2022.00	60,471	1.61	2.43	652.77	599.90	0.92	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	23,025	21,088	
2023.00	48,181	1.61	2.43	704.99	647.90	0.92	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	18,995	17,397	
2024.00	38,389	1.61	2.43	761.39	699.73	0.92	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.53	15,668	14,351	
2025.00	30,587	1.61	2.43	822.30	755.71	0.92	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	12,926	11,839	
Total Historical	2,491,671			APV	APV								Total Historical		353,332	204,648	0.58
Total Future	5,114,841			222.25	179.84	0.81							Total Future		1,136,791	919,869	0.81
Total Lifetime	7,606,511			195.90	147.84	0.75							Total Lifetime		1,490,123	1,124,517	0.75
2009 Jan-Aug	684,194	1.03	1.09	142.62	81.11	0.57							2009 Jan-Aug		99,104	55,921	
2009 Sep-Dec	349,603	1.05	1.13	147.50	110.24	0.75							2009 Sep-Dec		51,295	38,260	
2009 Total	1,033,798	1.04	1.10	144.27	90.96	0.63							2009 Total		150,400	94,181	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

CDHP w/ Mat

Scenario 2

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	12,141			179.13	107.64	0.60							1.09	1.08	2,361	1,415	
2008.00	64,348	0.92	0.80	184.27	215.37	1.17	1.03			2.00			1.05	1.04	12,439	14,477	
2009.00	104,769	0.95	0.89	188.42	273.96	1.45	1.02	1.03	0.99	1.27	1.11	1.14	1.01	1.00	19,907	28,782	
2010.00	102,582	1.00	0.97	248.40	353.63	1.42	1.32	1.05	1.26	1.29	1.09	1.18	0.97	0.96	24,629	34,953	
2011.00	81,840	1.06	1.07	322.33	432.37	1.34	1.30	1.06	1.22	1.22	1.11	1.10	0.93	0.92	24,489	32,729	
2012.00	51,812	1.17	1.23	383.84	533.90	1.39	1.19	1.10	1.08	1.23	1.14	1.08	0.89	0.89	17,698	24,530	
2013.00	33,771	1.27	1.37	449.46	641.72	1.43	1.17	1.08	1.08	1.20	1.11	1.08	0.85	0.85	12,949	18,424	
2014.00	22,559	1.34	1.47	513.90	743.79	1.45	1.14	1.06	1.08	1.16	1.07	1.08	0.82	0.82	9,482	13,675	
2015.00	15,428	1.39	1.54	575.18	843.34	1.47	1.12	1.04	1.08	1.13	1.05	1.08	0.78	0.78	6,958	10,167	
2016.00	10,794	1.42	1.57	635.40	930.87	1.47	1.10	1.02	1.08	1.10	1.02	1.08	0.75	0.75	5,155	7,526	
2017.00	7,694	1.45	1.60	699.33	1024.03	1.46	1.10	1.02	1.08	1.10	1.02	1.08	0.72	0.72	3,877	5,657	
2018.00	5,509	1.48	1.63	770.20	1127.60	1.46	1.10	1.02	1.08	1.10	1.02	1.08	0.69	0.69	2,931	4,276	
2019.00	3,944	1.50	1.66	844.72	1236.35	1.46	1.10	1.02	1.08	1.10	1.02	1.08	0.66	0.66	2,207	3,219	
2020.00	2,824	1.52	1.67	920.63	1347.17	1.46	1.09	1.01	1.08	1.09	1.01	1.08	0.63	0.63	1,651	2,407	
2021.00	2,022	1.52	1.68	998.28	1460.41	1.46	1.08	1.00	1.08	1.08	1.00	1.08	0.61	0.61	1,229	1,791	
2022.00	1,448	1.52	1.68	1078.19	1577.31	1.46	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	911	1,328	
2023.00	1,037	1.52	1.68	1164.45	1703.50	1.46	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	675	985	
2024.00	742	1.52	1.68	1257.60	1839.78	1.46	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.53	501	730	
2025.00	531	1.52	1.68	1358.21	1986.96	1.46	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	371	541	
Total Historical	145,614			APV	APV								Total Historical		27,791	32,079	1.15
Total Future	380,182			322.55	461.71	1.43							Total Future		122,627	175,534	1.43
Total Lifetime	525,796			286.08	394.86	1.38							Total Lifetime		150,418	207,613	1.38
2009 Jan-Aug	69,125	0.94	0.87	185.00	231.69	1.25							2009 Jan-Aug		12,991	16,187	
2009 Sep-Dec	35,644	0.97	0.93	195.06	355.93	1.82							2009 Sep-Dec		6,916	12,595	
2009 Total	104,769	0.95	0.89	188.42	273.96	1.45							2009 Total		19,907	28,782	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-2 Scenario 2

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

CDHP No Mat
Scenario 2

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	89			115.81	311.64	2.69							1.08	1.07	11	30	
2008.00	61,271	0.92	0.66	129.91	70.80	0.54	1.12			0.23			1.04	1.04	8,314	4,518	
2009.00	205,202	0.94	0.78	142.84	77.45	0.54	1.10	1.02	1.07	1.09	1.17	0.93	1.01	1.00	29,484	15,886	
2010.00	320,547	0.97	0.88	167.98	91.77	0.55	1.18	1.03	1.15	1.18	1.13	1.05	0.97	0.96	52,006	28,304	
2011.00	324,593	1.01	1.04	191.08	118.51	0.62	1.14	1.04	1.09	1.29	1.18	1.09	0.93	0.92	57,552	35,551	
2012.00	237,315	1.08	1.27	220.66	155.62	0.71	1.15	1.07	1.08	1.31	1.22	1.08	0.89	0.89	46,578	32,725	
2013.00	178,164	1.15	1.47	254.21	194.05	0.76	1.15	1.07	1.08	1.25	1.16	1.08	0.85	0.85	38,619	29,375	
2014.00	134,844	1.23	1.65	293.62	235.72	0.80	1.16	1.07	1.08	1.21	1.12	1.08	0.82	0.81	32,365	25,890	
2015.00	103,070	1.33	1.86	341.66	286.52	0.84	1.16	1.08	1.08	1.22	1.13	1.08	0.78	0.78	27,596	23,061	
2016.00	80,189	1.42	2.05	394.98	340.97	0.86	1.16	1.07	1.08	1.19	1.10	1.08	0.75	0.75	23,793	20,468	
2017.00	63,577	1.49	2.19	448.04	393.37	0.88	1.13	1.05	1.08	1.15	1.07	1.08	0.72	0.72	20,515	17,949	
2018.00	50,656	1.54	2.29	499.12	443.65	0.89	1.11	1.03	1.08	1.13	1.05	1.08	0.69	0.69	17,458	15,464	
2019.00	40,360	1.57	2.36	550.54	493.77	0.90	1.10	1.02	1.08	1.11	1.03	1.08	0.66	0.66	14,709	13,147	
2020.00	32,158	1.60	2.41	604.45	544.64	0.90	1.10	1.02	1.08	1.10	1.02	1.08	0.63	0.63	12,335	11,077	
2021.00	25,622	1.61	2.43	658.02	593.75	0.90	1.09	1.01	1.08	1.09	1.01	1.08	0.61	0.61	10,258	9,224	
2022.00	20,414	1.61	2.43	710.72	641.32	0.90	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	8,463	7,611	
2023.00	16,265	1.61	2.43	767.58	692.62	0.90	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	6,982	6,278	
2024.00	12,960	1.61	2.43	828.99	748.03	0.90	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.53	5,759	5,179	
2025.00	10,326	1.61	2.43	895.31	807.87	0.90	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	4,751	4,272	
Total Historical	182,476			APV	APV								Total Historical		25,330	13,192	0.52
Total Future	1,735,146			226.04	168.76	0.75							Total Future		392,217	292,819	0.75
Total Lifetime	1,917,622			217.74	159.58	0.73							Total Lifetime		417,548	306,011	0.73
2009 Jan-Aug	121,116	0.94	0.76	138.41	70.98	0.51							2009 Jan-Aug		17,005	8,644	
2009 Sep-Dec	84,086	0.95	0.81	149.23	86.77	0.58							2009 Sep-Dec		12,479	7,242	
2009 Total	205,202	0.94	0.78	142.84	77.45	0.54							2009 Total		29,484	15,886	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Scenario 2

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	642,980			152.50	107.11	0.70							1.17	1.18	115,009	80,966	
2008.00	178,488	1.19	1.30	196.00	116.22	0.59	1.29			1.09			1.05	1.05	36,806	21,765	
2009.00	182,608	1.23	1.37	200.17	150.40	0.75	1.02	1.03	0.99	1.29	1.05	1.23	1.01	1.00	36,889	27,593	
2010.00	144,617	1.26	1.44	230.98	172.26	0.75	1.15	1.03	1.12	1.15	1.06	1.08	0.97	0.97	32,329	24,050	
2011.00	101,279	1.33	1.56	266.52	207.40	0.78	1.15	1.05	1.10	1.20	1.08	1.11	0.93	0.93	25,055	19,450	
2012.00	69,558	1.39	1.67	301.77	240.13	0.80	1.13	1.05	1.08	1.16	1.07	1.08	0.89	0.89	18,677	14,826	
2013.00	48,512	1.45	1.77	338.52	274.39	0.81	1.12	1.04	1.08	1.14	1.06	1.08	0.85	0.85	14,008	11,327	
2014.00	34,111	1.50	1.86	377.23	310.58	0.82	1.11	1.03	1.08	1.13	1.05	1.08	0.82	0.82	10,523	8,643	
2015.00	24,142	1.53	1.92	417.59	347.74	0.83	1.11	1.02	1.08	1.12	1.03	1.08	0.78	0.78	7,904	6,566	
2016.00	17,216	1.56	1.96	459.12	385.11	0.84	1.10	1.02	1.08	1.11	1.02	1.08	0.75	0.75	5,941	4,971	
2017.00	12,320	1.58	1.99	501.43	422.63	0.84	1.09	1.01	1.08	1.10	1.01	1.08	0.72	0.72	4,451	3,743	
2018.00	8,821	1.59	2.01	545.14	461.06	0.85	1.09	1.01	1.08	1.09	1.01	1.08	0.69	0.69	3,322	2,803	
2019.00	6,316	1.59	2.02	591.59	501.46	0.85	1.09	1.00	1.08	1.09	1.01	1.08	0.66	0.66	2,475	2,093	
2020.00	4,522	1.60	2.03	640.84	543.81	0.85	1.08	1.00	1.08	1.08	1.00	1.08	0.63	0.63	1,840	1,558	
2021.00	3,238	1.60	2.03	692.64	587.92	0.85	1.08	1.00	1.08	1.08	1.00	1.08	0.61	0.61	1,365	1,156	
2022.00	2,318	1.60	2.03	748.05	634.96	0.85	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	1,012	857	
2023.00	1,660	1.60	2.03	807.90	685.75	0.85	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	750	635	
2024.00	1,189	1.60	2.03	872.53	740.61	0.85	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.54	556	471	
2025.00	851	1.60	2.03	942.33	799.86	0.85	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	412	349	
Total Historical	945,349			APV	APV								Total Historical		176,963	121,110	0.68
Total Future	539,398			263.92	208.96	0.79							Total Future		142,360	112,712	0.79
Total Lifetime	1,484,747			215.07	157.48	0.73							Total Lifetime		319,323	233,823	0.73
2009 Jan-Aug	123,881	1.22	1.36	199.80	146.79	0.73							2009 Jan-Aug		25,149	18,379	
2009 Sep-Dec	58,727	1.23	1.38	200.94	158.01	0.79							2009 Sep-Dec		11,740	9,214	
2009 Total	182,608	1.23	1.37	200.17	150.40	0.75							2009 Total		36,889	27,593	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-2 Scenario 2

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

Right Scenario 2	Analysis of Lifetime Loss Ratio (LLR)																
	Roll-Up of Monthly Projections to Totals by Year																
	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM							
							Total	Index	Other	Total	Index	Other	Prem	Cims	Premium	Claims	
Pre 2008	1,782,611			133.58	97.71	0.73							1.13	1.13	268,912	197,215	
2008.00	922,591	1.05	1.05	166.43	115.18	0.69	1.25			1.18			1.05	1.05	161,611	111,594	
2009.00	753,356	1.09	1.12	194.74	139.52	0.72	1.17	1.04	1.13	1.21	1.07	1.14	1.01	1.00	148,062	105,620	
2010.00	563,580	1.14	1.22	255.79	174.10	0.68	1.31	1.05	1.26	1.25	1.09	1.15	0.97	0.97	139,459	94,770	
2011.00	401,917	1.20	1.34	303.60	212.65	0.70	1.19	1.06	1.12	1.22	1.09	1.12	0.93	0.93	113,264	79,178	
2012.00	268,883	1.29	1.49	350.17	254.66	0.73	1.15	1.07	1.08	1.20	1.11	1.08	0.89	0.89	83,775	60,810	
2013.00	184,299	1.36	1.62	400.05	299.62	0.75	1.14	1.06	1.08	1.18	1.09	1.08	0.85	0.85	62,889	47,014	
2014.00	128,436	1.43	1.74	453.34	348.01	0.77	1.13	1.05	1.08	1.16	1.08	1.08	0.82	0.82	47,613	36,482	
2015.00	90,481	1.49	1.85	510.19	398.93	0.78	1.13	1.04	1.08	1.15	1.06	1.08	0.78	0.78	36,191	28,246	
2016.00	64,324	1.53	1.92	567.34	448.94	0.79	1.11	1.03	1.08	1.13	1.04	1.08	0.75	0.75	27,427	21,664	
2017.00	45,993	1.56	1.97	624.28	497.61	0.80	1.10	1.02	1.08	1.11	1.02	1.08	0.72	0.72	20,688	16,460	
2018.00	32,931	1.58	2.00	682.07	546.34	0.80	1.09	1.01	1.08	1.10	1.01	1.08	0.69	0.69	15,516	12,406	
2019.00	23,578	1.59	2.02	741.66	595.85	0.80	1.09	1.01	1.08	1.09	1.01	1.08	0.66	0.66	11,581	9,288	
2020.00	16,882	1.60	2.03	804.13	646.94	0.80	1.08	1.00	1.08	1.09	1.00	1.08	0.63	0.63	8,619	6,921	
2021.00	12,088	1.60	2.03	870.00	700.32	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.61	0.61	6,401	5,143	
2022.00	8,655	1.60	2.03	939.62	756.36	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	4,745	3,813	
2023.00	6,197	1.60	2.03	1014.79	816.87	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	3,518	2,827	
2024.00	4,437	1.60	2.03	1095.97	882.22	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.54	2,608	2,095	
2025.00	3,177	1.60	2.03	1183.65	952.80	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	1,933	1,553	
Total Historical	3,226,415			APV	APV								Total Historical		531,740	379,977	0.71
Total Future	2,087,998			303.19	221.80	0.73							Total Future		633,069	463,123	0.73
Total Lifetime	5,314,414			219.18	158.64	0.72							Total Lifetime		1,164,810	843,100	0.72
2009 Jan-Aug	521,213	1.08	1.11	191.13	135.09	0.71							2009 Jan-Aug		101,218	71,168	
2009 Sep-Dec	232,143	1.10	1.15	202.83	149.45	0.74							2009 Sep-Dec		46,844	34,452	
2009 Total	753,356	1.09	1.12	194.74	139.52	0.72							2009 Total		148,062	105,620	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Tonik Scenario 2		Analysis of Lifetime Loss Ratio (LLR)															
Roll-Up of Monthly Projections to Totals by Year																	
	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM							
							Total	Index	Other	Total	Index	Other	Prem	Cims	Premium	Claims	
Pre 2008	764,405			128.78	102.96	0.80							1.11	1.11	109,421	87,553	
2008.00	668,355	1.01	0.97	149.07	94.99	0.64	1.16			0.92			1.05	1.05	104,909	66,717	
2009.00	518,933	1.04	1.03	157.57	108.05	0.69	1.06	1.03	1.02	1.14	1.06	1.07	1.01	1.00	82,531	56,293	
2010.00	486,678	1.06	1.05	187.84	122.22	0.65	1.19	1.02	1.17	1.13	1.02	1.11	0.97	0.96	88,363	57,388	
2011.00	399,608	1.09	1.13	220.54	145.39	0.66	1.17	1.03	1.14	1.19	1.08	1.10	0.93	0.93	81,817	53,809	
2012.00	255,569	1.17	1.28	254.54	175.81	0.69	1.15	1.07	1.08	1.21	1.13	1.07	0.89	0.89	57,889	39,895	
2013.00	169,643	1.25	1.42	293.91	209.96	0.71	1.15	1.07	1.08	1.19	1.11	1.08	0.85	0.85	42,532	30,316	
2014.00	115,750	1.33	1.56	336.64	248.48	0.74	1.15	1.06	1.08	1.18	1.10	1.08	0.82	0.82	31,865	23,468	
2015.00	79,938	1.40	1.70	383.32	291.21	0.76	1.14	1.06	1.08	1.17	1.09	1.08	0.78	0.78	24,023	18,210	
2016.00	56,014	1.47	1.82	432.85	335.58	0.78	1.13	1.05	1.08	1.15	1.07	1.08	0.75	0.75	18,222	14,096	
2017.00	39,933	1.53	1.90	483.07	378.94	0.78	1.12	1.04	1.08	1.13	1.05	1.08	0.72	0.72	13,898	10,879	
2018.00	28,592	1.56	1.96	531.77	420.54	0.79	1.10	1.02	1.08	1.11	1.03	1.08	0.69	0.69	10,503	8,288	
2019.00	20,472	1.57	1.99	579.96	461.06	0.79	1.09	1.01	1.08	1.10	1.02	1.08	0.66	0.66	7,863	6,237	
2020.00	14,658	1.59	2.02	631.76	503.83	0.80	1.09	1.01	1.08	1.09	1.01	1.08	0.63	0.63	5,879	4,678	
2021.00	10,495	1.60	2.03	685.53	547.48	0.80	1.09	1.01	1.08	1.09	1.01	1.08	0.61	0.61	4,379	3,490	
2022.00	7,514	1.60	2.03	740.42	591.32	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.58	0.58	3,247	2,587	
2023.00	5,380	1.60	2.03	799.65	638.62	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.56	0.56	2,407	1,918	
2024.00	3,852	1.60	2.03	863.62	689.71	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.54	0.54	1,784	1,422	
2025.00	2,758	1.60	2.03	932.71	744.89	0.80	1.08	1.00	1.08	1.08	1.00	1.08	0.51	0.51	1,323	1,054	
Total Historical	1,784,959			APV	APV		Note - here the Total represents Med+Dent; however, the Index factor is applicable to Med-only. The LLR model projections reflects this distinction; however, the above Incr attributed to "Other" factors (i.e., excl Index factor) has not been adjusted here to reflect this (shown here for informational purposes only).						Total Historical		270,472	191,822	0.71
Total Future	1,863,588			226.65	159.09	0.70							Total Future		422,382	296,475	0.70
Total Lifetime	3,648,548			189.90	133.83	0.70							Total Lifetime		692,854	488,297	0.70
2009 Jan-Aug	352,199	1.04	1.03	156.85	105.61	0.67							2009 Jan-Aug		56,142	37,552	
2009 Sep-Dec	166,733	1.05	1.03	159.10	113.20	0.71							2009 Sep-Dec		26,390	18,741	
2009 Total	518,933	1.04	1.03	157.57	108.05	0.69							2009 Total		82,531	56,293	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-3 Scenario 3

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

SmartSense
Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	745			109.69	62.02	56.5%							1.077	1.075	88	50	
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015			1.111			1.045	1.042	79,810	49,300	
2009	1,781,560	0.968	0.859	126.44	86.09	68.1%	1.136	1.018	1.116	1.249	1.141	1.095	1.007	1.002	226,731	153,619	
2010	2,130,060	0.988	0.924	153.10	101.83	66.5%	1.211	1.021	1.186	1.183	1.076	1.099	0.967	0.964	315,321	209,193	
2011	1,754,268	1.022	1.009	168.47	122.87	72.9%	1.100	1.034	1.064	1.207	1.092	1.105	0.928	0.926	274,415	199,626	
2012	1,099,797	1.080	1.117	192.37	146.93	76.4%	1.142	1.057	1.080	1.196	1.107	1.080	0.890	0.888	188,282	143,472	
2013	714,070	1.151	1.242	221.36	176.44	79.7%	1.151	1.065	1.080	1.201	1.111	1.081	0.853	0.851	134,848	107,221	
2014	472,782	1.233	1.398	256.13	214.58	83.8%	1.157	1.071	1.080	1.216	1.126	1.080	0.818	0.816	99,031	82,767	
2015	319,475	1.329	1.571	298.27	260.56	87.4%	1.165	1.078	1.080	1.214	1.124	1.080	0.784	0.782	74,702	65,104	
2016	222,206	1.420	1.726	344.26	309.16	89.8%	1.154	1.069	1.080	1.187	1.099	1.080	0.751	0.750	57,486	51,506	
2017	158,254	1.487	1.837	389.14	355.35	91.3%	1.130	1.047	1.080	1.149	1.065	1.080	0.720	0.719	44,368	40,423	
2018	113,310	1.531	1.916	432.81	400.10	92.4%	1.112	1.030	1.080	1.126	1.043	1.080	0.691	0.689	33,875	31,244	
2019	81,130	1.564	1.974	477.40	445.14	93.2%	1.103	1.021	1.080	1.113	1.030	1.080	0.662	0.661	25,649	23,862	
2020	58,089	1.587	2.012	523.28	490.02	93.6%	1.096	1.015	1.080	1.101	1.019	1.080	0.635	0.633	19,297	18,030	
2021	41,592	1.598	2.029	568.85	533.50	93.8%	1.087	1.007	1.080	1.089	1.008	1.080	0.609	0.607	14,400	13,475	
2022	29,780	1.598	2.029	614.40	576.24	93.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	10,676	9,991	
2023	21,322	1.598	2.029	663.55	622.33	93.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	7,915	7,407	
2024	15,267	1.598	2.029	716.64	672.12	93.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	5,867	5,490	
2025	10,931	1.598	2.029	773.97	725.89	93.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	4,350	4,070	
Total Historical	1,791,266			APV	APV		Total Historical						214,933		141,061	65.63%	
Total Future	7,919,582			177.05	135.71	76.65%	Total Future						1,402,179		1,074,790	76.65%	
Total Lifetime	9,710,847			166.53	125.21	75.19%	Total Lifetime						1,617,112		1,215,851	75.19%	
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%	2009 Jan-Aug						135,034		91,711		
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.07	67.6%	2009 Sep-Dec						91,696		61,908		
2009 Total	1,781,560	0.968	0.859	126.44	86.09	68.1%	2009 Total						226,731		153,619		

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Share

Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	4,028,982			147.65	104.29	70.6%				1.214			1.171	1.175	696,580	493,678	
2008	1,466,368	1.147	1.184	176.93	126.61	71.6%	1.198			1.214			1.052	1.049	273,010	194,811	
2009	1,248,364	1.169	1.213	214.10	164.14	76.7%	1.210	1.019	1.187	1.296	1.025	1.265	1.009	1.005	269,720	205,891	
2010	910,688	1.217	1.289	274.41	195.97	71.4%	1.282	1.041	1.231	1.194	1.063	1.124	0.968	0.965	241,819	172,245	
2011	641,467	1.274	1.370	320.05	234.93	73.4%	1.166	1.047	1.114	1.199	1.062	1.128	0.928	0.926	190,567	139,508	
2012	433,813	1.344	1.462	364.67	271.07	74.3%	1.139	1.055	1.080	1.154	1.068	1.081	0.890	0.887	140,763	104,359	
2013	299,019	1.401	1.539	409.95	308.33	75.2%	1.124	1.042	1.079	1.137	1.053	1.081	0.853	0.851	104,568	78,439	
2014	208,899	1.442	1.590	454.98	343.41	75.5%	1.110	1.029	1.078	1.114	1.033	1.078	0.818	0.816	77,729	58,513	
2015	147,591	1.468	1.622	499.85	378.17	75.7%	1.099	1.018	1.079	1.101	1.020	1.079	0.784	0.782	57,840	43,646	
2016	105,156	1.486	1.642	546.50	413.30	75.6%	1.093	1.012	1.080	1.093	1.012	1.080	0.752	0.750	43,192	32,579	
2017	75,222	1.500	1.656	595.96	450.69	75.6%	1.091	1.009	1.081	1.090	1.009	1.081	0.721	0.719	32,301	24,363	
2018	53,859	1.510	1.668	648.76	490.75	75.6%	1.089	1.007	1.081	1.089	1.007	1.081	0.691	0.689	24,137	18,210	
2019	38,563	1.518	1.677	704.56	533.05	75.7%	1.086	1.005	1.081	1.086	1.005	1.081	0.662	0.661	17,994	13,578	
2020	27,611	1.521	1.680	762.83	577.16	75.7%	1.083	1.002	1.080	1.083	1.002	1.080	0.635	0.633	13,372	10,091	
2021	19,770	1.522	1.682	824.63	623.92	75.7%	1.081	1.001	1.080	1.081	1.001	1.080	0.609	0.607	9,922	7,488	
2022	14,155	1.522	1.682	890.61	673.84	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	7,356	5,551	
2023	10,135	1.522	1.682	961.85	727.75	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	5,453	4,115	
2024	7,257	1.522	1.682	1038.80	785.97	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	4,043	3,051	
2025	5,196	1.522	1.682	1121.91	848.84	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	2,997	2,262	
Total Historical	6,362,811			APV	APV		Total Historical						1,154,068		825,974	71.57%	
Total Future	3,379,302			313.47	232.71	74.24%	Total Future						1,059,294		786,403	74.24%	
Total Lifetime	9,742,114			227.20	165.51	72.85%	Total Lifetime						2,213,362		1,612,378	72.85%	
2009 Jan-Aug	867,461	1.166	1.204	209.33	156.80	74.9%	2009 Jan-Aug						184,477		137,486		
2009 Sep-Dec	380,903	1.178	1.234	224.94	180.86	80.4%	2009 Sep-Dec						85,242		68,405		
2009 Total	1,248,364	1.169	1.213	214.10	164.14	76.7%	2009 Total						269,720		205,891		

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-3 Scenario 3

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

3500

Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	954,215			127.72	71.18	55.7%							1.122	1.116	136,704	75,802	
2008	853,262	1.008	1.015	131.01	81.66	62.3%	1.026			1.147			1.051	1.047	117,524	72,924	
2009	1,033,798	1.037	1.100	144.27	90.96	63.0%	1.101	1.028	1.071	1.114	1.084	1.027	1.008	1.002	150,400	94,181	
2010	1,014,417	1.069	1.194	159.69	112.48	70.4%	1.107	1.031	1.073	1.237	1.085	1.140	0.967	0.963	156,676	109,922	
2011	871,055	1.119	1.338	179.03	140.96	78.7%	1.121	1.047	1.071	1.253	1.121	1.118	0.928	0.924	144,691	113,495	
2012	652,266	1.202	1.555	207.69	176.89	85.2%	1.160	1.073	1.081	1.255	1.162	1.080	0.889	0.886	120,486	102,246	
2013	498,305	1.283	1.749	239.63	214.77	89.6%	1.154	1.068	1.080	1.214	1.125	1.080	0.853	0.850	101,813	90,929	
2014	385,123	1.362	1.919	274.73	254.66	92.7%	1.146	1.061	1.080	1.186	1.097	1.081	0.817	0.815	86,486	79,888	
2015	300,483	1.438	2.079	313.20	298.28	95.2%	1.140	1.056	1.080	1.171	1.083	1.081	0.784	0.781	73,751	69,995	
2016	236,871	1.502	2.209	353.20	342.60	97.0%	1.128	1.044	1.080	1.149	1.063	1.081	0.751	0.749	62,850	60,755	
2017	188,327	1.548	2.301	392.99	385.57	98.1%	1.113	1.030	1.080	1.125	1.041	1.081	0.720	0.718	53,305	52,118	
2018	150,052	1.577	2.361	432.33	427.55	98.9%	1.100	1.019	1.080	1.109	1.026	1.081	0.691	0.688	44,795	44,148	
2019	119,555	1.595	2.399	472.18	469.40	99.4%	1.092	1.011	1.080	1.098	1.016	1.081	0.662	0.660	37,371	37,025	
2020	95,257	1.607	2.423	513.81	512.12	99.7%	1.088	1.008	1.080	1.091	1.010	1.080	0.635	0.632	31,061	30,853	
2021	75,897	1.613	2.433	556.81	555.44	99.8%	1.084	1.003	1.080	1.085	1.004	1.080	0.608	0.606	25,711	25,561	
2022	60,471	1.613	2.433	601.37	599.90	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.583	0.581	21,212	21,088	
2023	48,181	1.613	2.433	649.48	647.90	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.557	17,499	17,397	
2024	38,389	1.613	2.433	701.44	699.73	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	14,435	14,351	
2025	30,587	1.613	2.433	757.56	755.71	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	11,908	11,839	
Total Historical	2,491,671			APV	APV								Total Historical		353,332	204,648	57.92%
Total Future	5,114,841			206.33	179.84	87.16%							Total Future		1,055,345	919,869	87.16%
Total Lifetime	7,606,511			185.19	147.84	79.83%							Total Lifetime		1,408,677	1,124,517	79.83%

2009 Jan-Aug 684,194 1.032 1.085 142.62 81.11 56.9% 2009 Jan-Aug 99,104 55,921
 2009 Sep-Dec 349,603 1.045 1.129 147.50 110.24 74.7% 2009 Sep-Dec 51,295 38,260
 2009 Total 1,033,798 1.037 1.100 144.27 90.96 63.0% 2009 Total 150,400 94,181

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

CDHP w/ Mat
Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	12,141			179.13	107.64	60.1%							1.085	1.083	2,361	1,415	
2008	64,348	0.923	0.798	184.27	215.37	116.9%	1.029			2.001			1.049	1.045	12,439	14,477	
2009	104,769	0.954	0.888	188.42	273.96	145.4%	1.023	1.033	0.989	1.272	1.113	1.143	1.008	1.003	19,907	28,782	
2010	102,582	1.000	0.967	241.48	353.63	146.4%	1.282	1.049	1.222	1.291	1.090	1.184	0.967	0.964	23,948	34,953	
2011	81,840	1.063	1.073	300.11	432.37	144.1%	1.243	1.063	1.169	1.223	1.109	1.102	0.928	0.925	22,801	32,729	
2012	51,812	1.170	1.228	357.20	533.90	149.5%	1.190	1.101	1.081	1.235	1.144	1.079	0.890	0.887	16,469	24,530	
2013	33,771	1.268	1.368	418.27	641.72	153.4%	1.171	1.084	1.080	1.202	1.114	1.079	0.853	0.850	12,050	18,424	
2014	22,559	1.343	1.467	478.23	743.79	155.5%	1.143	1.059	1.080	1.159	1.073	1.081	0.818	0.815	8,824	13,675	
2015	15,428	1.392	1.542	535.26	843.34	157.6%	1.119	1.036	1.080	1.134	1.051	1.079	0.784	0.781	6,475	10,167	
2016	10,794	1.424	1.575	591.30	930.87	157.4%	1.105	1.023	1.080	1.104	1.021	1.081	0.752	0.749	4,797	7,526	
2017	7,694	1.451	1.603	650.80	1024.03	157.3%	1.101	1.019	1.080	1.100	1.018	1.081	0.721	0.718	3,608	5,657	
2018	5,509	1.480	1.634	716.75	1127.60	157.3%	1.101	1.020	1.080	1.101	1.020	1.080	0.691	0.688	2,728	4,276	
2019	3,944	1.502	1.660	786.09	1236.35	157.3%	1.097	1.015	1.080	1.096	1.015	1.080	0.662	0.660	2,053	3,219	
2020	2,824	1.516	1.675	856.73	1347.17	157.2%	1.090	1.009	1.080	1.090	1.009	1.080	0.635	0.633	1,536	2,407	
2021	2,022	1.522	1.682	928.99	1460.41	157.2%	1.084	1.004	1.080	1.084	1.004	1.080	0.609	0.607	1,143	1,791	
2022	1,448	1.522	1.682	1003.36	1577.31	157.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	848	1,328	
2023	1,037	1.522	1.682	1083.63	1703.50	157.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	628	985	
2024	742	1.522	1.682	1170.32	1839.78	157.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	466	730	
2025	531	1.522	1.682	1263.94	1986.96	157.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	345	541	
Total Historical	145,614			APV	APV								Total Historical		27,791	32,079	115.43%
Total Future	380,182			304.16	461.71	151.80%							Total Future		115,636	175,534	151.80%
Total Lifetime	525,796			272.78	394.86	144.75%							Total Lifetime		143,427	207,613	144.75%

2009 Jan-Aug 69,125 0.945 0.867 185.00 231.69 125.2% 2009 Jan-Aug 12,991 16,187
 2009 Sep-Dec 35,644 0.970 0.928 195.06 355.93 182.5% 2009 Sep-Dec 6,916 12,595
 2009 Total 104,769 0.954 0.888 188.42 273.96 145.4% 2009 Total 19,907 28,782

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-3 Scenario 3

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

CDHP No Mat
Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	89			115.81	311.64	269.1%							1.077	1.075	11	30	
2008	61,271	0.923	0.664	129.91	70.80	54.5%	1.122			0.227			1.045	1.042	8,314	4,518	
2009	205,202	0.945	0.778	142.84	77.45	54.2%	1.100	1.024	1.074	1.094	1.172	0.934	1.006	1.000	29,484	15,886	
2010	320,547	0.970	0.879	161.10	91.77	57.0%	1.128	1.027	1.099	1.185	1.130	1.048	0.966	0.962	49,890	28,304	
2011	324,593	1.011	1.041	174.97	118.51	67.7%	1.086	1.043	1.042	1.291	1.185	1.090	0.928	0.924	52,702	35,551	
2012	237,315	1.081	1.269	201.93	155.62	77.1%	1.154	1.069	1.080	1.313	1.219	1.077	0.889	0.886	42,625	32,725	
2013	178,164	1.153	1.468	232.63	194.05	83.4%	1.152	1.067	1.080	1.247	1.157	1.078	0.853	0.850	35,342	29,375	
2014	134,844	1.233	1.650	268.71	235.72	87.7%	1.155	1.069	1.080	1.215	1.124	1.081	0.817	0.815	29,619	25,890	
2015	103,070	1.328	1.857	312.67	286.52	91.6%	1.164	1.077	1.080	1.215	1.125	1.080	0.784	0.781	25,254	23,061	
2016	80,189	1.422	2.047	361.46	340.97	94.3%	1.156	1.070	1.080	1.190	1.102	1.079	0.751	0.749	21,774	20,468	
2017	63,577	1.493	2.188	410.02	393.37	95.9%	1.134	1.050	1.080	1.154	1.069	1.079	0.720	0.718	18,774	17,949	
2018	50,656	1.541	2.287	456.76	443.65	97.1%	1.114	1.032	1.080	1.128	1.045	1.079	0.690	0.688	15,976	15,464	
2019	40,360	1.574	2.357	503.82	493.77	98.0%	1.103	1.021	1.080	1.113	1.031	1.080	0.662	0.660	13,461	13,147	
2020	32,158	1.600	2.409	553.15	544.64	98.5%	1.098	1.017	1.080	1.103	1.022	1.080	0.635	0.632	11,288	11,077	
2021	25,622	1.613	2.433	602.18	593.75	98.6%	1.089	1.008	1.080	1.090	1.010	1.079	0.608	0.606	9,387	9,224	
2022	20,414	1.613	2.433	650.41	641.32	98.6%	1.080	1.000	1.080	1.080	1.000	1.080	0.583	0.581	7,745	7,611	
2023	16,265	1.613	2.433	702.44	692.62	98.6%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.557	6,389	6,278	
2024	12,960	1.613	2.433	758.64	748.03	98.6%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	5,270	5,179	
2025	10,326	1.613	2.433	819.33	807.87	98.6%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	4,348	4,272	
Total Historical	182,476			APV	APV		Total Historical								25,330	13,192	52.08%
Total Future	1,735,146			208.81	168.76	80.82%	Total Future								362,323	292,819	80.82%
Total Lifetime	1,917,622			202.15	159.58	78.94%	Total Lifetime								387,653	306,011	78.94%
2009 Jan-Aug	121,116	0.940	0.758	138.41	70.98	51.3%							2009 Jan-Aug		17,005	8,644	
2009 Sep-Dec	84,086	0.951	0.806	149.23	86.77	58.1%							2009 Sep-Dec		12,479	7,242	
2009 Total	205,202	0.945	0.778	142.84	77.45	54.2%							2009 Total		29,484	15,886	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)	
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims		
							Total	Index	Other	Total	Index	Other						
Pre 2008	642,980			152.50	107.11	70.2%							1.173	1.176	115,009	80,966		
2008	178,488	1.187	1.303	196.00	116.22	59.3%	1.285				1.085			1.052	1.049	36,806	21,765	
2009	182,608	1.225	1.366	200.17	150.40	75.1%	1.021	1.032	0.990	1.294	1.048	1.235	1.009	1.005	36,889	27,593		
2010	144,617	1.265	1.443	213.83	172.26	80.6%	1.068	1.032	1.035	1.145	1.057	1.084	0.968	0.965	29,938	24,050		
2011	101,279	1.328	1.558	240.02	207.40	86.4%	1.122	1.050	1.069	1.204	1.080	1.115	0.928	0.926	22,564	19,450		
2012	69,558	1.394	1.674	271.70	240.13	88.4%	1.132	1.050	1.078	1.158	1.075	1.077	0.890	0.888	16,815	14,826		
2013	48,512	1.450	1.772	304.78	274.39	90.0%	1.122	1.040	1.079	1.143	1.058	1.080	0.853	0.851	12,612	11,327		
2014	34,111	1.496	1.855	339.63	310.58	91.4%	1.114	1.032	1.080	1.132	1.047	1.081	0.818	0.816	9,474	8,643		
2015	24,142	1.533	1.919	375.97	347.74	92.5%	1.107	1.025	1.080	1.120	1.035	1.082	0.784	0.782	7,116	6,566		
2016	17,216	1.559	1.964	413.37	385.11	93.2%	1.099	1.017	1.081	1.107	1.023	1.083	0.752	0.750	5,349	4,971		
2017	12,320	1.576	1.991	451.46	422.63	93.6%	1.092	1.010	1.081	1.097	1.014	1.082	0.721	0.719	4,008	3,743		
2018	8,821	1.585	2.008	490.81	461.06	93.9%	1.087	1.006	1.081	1.091	1.009	1.082	0.691	0.689	2,991	2,803		
2019	6,316	1.592	2.020	532.63	501.46	94.1%	1.085	1.004	1.080	1.088	1.006	1.081	0.662	0.661	2,228	2,093		
2020	4,522	1.597	2.028	576.98	543.81	94.3%	1.083	1.003	1.080	1.084	1.004	1.081	0.635	0.633	1,657	1,558		
2021	3,238	1.598	2.029	623.61	587.92	94.3%	1.081	1.001	1.080	1.081	1.001	1.080	0.609	0.607	1,229	1,156		
2022	2,318	1.598	2.029	673.51	634.96	94.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	911	857		
2023	1,660	1.598	2.029	727.39	685.75	94.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	675	635		
2024	1,189	1.598	2.029	785.58	740.61	94.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	501	471		
2025	851	1.598	2.029	848.42	799.86	94.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	371	349		
Total Historical	945,349			APV	APV		Total Historical								176,963	121,110	68.44%	
Total Future	539,398			241.34	208.96	86.58%	Total Future								130,179	112,712	86.58%	
Total Lifetime	1,484,747			206.86	157.48	76.13%	Total Lifetime								307,142	233,823	76.13%	
2009 Jan-Aug	123,881	1.222	1.358	199.80	146.79	73.5%	2009 Jan-Aug								25,149	18,379		
2009 Sep-Dec	58,727	1.233	1.381	200.94	158.01	78.6%	2009 Sep-Dec								11,740	9,214		
2009 Total	182,608	1.225	1.366	200.17	150.40	75.1%	2009 Total								36,889	27,593		

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-3 Scenario 3

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

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Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	1,782,611			133.58	97.71	73.2%							1.129	1.132	268,912	197,215	
2008	922,591	1.053	1.054	166.43	115.18	69.2%	1.246			1.179			1.053	1.050	161,611	111,594	
2009	753,356	1.090	1.123	194.74	139.52	71.6%	1.170	1.035	1.130	1.211	1.065	1.137	1.009	1.005	148,062	105,620	
2010	563,580	1.139	1.220	247.74	174.10	70.3%	1.272	1.045	1.217	1.248	1.087	1.148	0.968	0.966	135,086	94,770	
2011	401,917	1.202	1.336	291.34	212.65	73.0%	1.176	1.055	1.115	1.221	1.095	1.116	0.928	0.926	108,691	79,178	
2012	268,883	1.287	1.487	336.01	254.66	75.8%	1.153	1.070	1.078	1.198	1.113	1.076	0.890	0.888	80,388	60,810	
2013	184,299	1.363	1.622	383.87	299.62	78.1%	1.142	1.060	1.078	1.177	1.091	1.078	0.853	0.851	60,347	47,014	
2014	128,436	1.432	1.744	435.01	348.01	80.0%	1.133	1.050	1.079	1.161	1.075	1.080	0.818	0.816	45,688	36,482	
2015	90,481	1.491	1.848	489.56	398.93	81.5%	1.125	1.042	1.080	1.146	1.060	1.082	0.784	0.783	34,727	28,246	
2016	64,324	1.535	1.922	544.40	448.94	82.5%	1.112	1.029	1.081	1.125	1.040	1.082	0.752	0.750	26,318	21,664	
2017	45,993	1.562	1.969	599.04	497.61	83.1%	1.100	1.018	1.081	1.108	1.024	1.082	0.721	0.719	19,851	16,460	
2018	32,931	1.579	1.998	654.49	546.34	83.5%	1.093	1.011	1.081	1.098	1.015	1.082	0.691	0.690	14,888	12,406	
2019	23,578	1.589	2.016	711.67	595.85	83.7%	1.087	1.006	1.081	1.091	1.009	1.081	0.662	0.661	11,113	9,288	
2020	16,882	1.595	2.025	771.62	646.94	83.8%	1.084	1.004	1.080	1.086	1.005	1.081	0.635	0.634	8,270	6,921	
2021	12,088	1.598	2.029	834.82	700.32	83.9%	1.082	1.002	1.080	1.083	1.002	1.080	0.609	0.608	6,142	5,143	
2022	8,655	1.598	2.029	901.63	756.36	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	4,553	3,813	
2023	6,197	1.598	2.029	973.76	816.87	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	3,376	2,827	
2024	4,437	1.598	2.029	1051.66	882.22	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	2,502	2,095	
2025	3,177	1.598	2.029	1135.79	952.80	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	1,855	1,553	
Total Historical	3,226,415			APV	APV		Total Historical								531,740	379,977	71.46%
Total Future	2,087,998			292.45	221.80	75.84%	Total Future								610,639	463,123	75.84%
Total Lifetime	5,314,414			214.96	158.64	73.80%	Total Lifetime								1,142,379	843,100	73.80%
2009 Jan-Aug	521,213	1.083	1.109	191.13	135.09	70.7%							2009 Jan-Aug		101,218	71,168	
2009 Sep-Dec	232,143	1.104	1.153	202.83	149.45	73.7%							2009 Sep-Dec		46,844	34,452	
2009 Total	753,356	1.090	1.123	194.74	139.52	71.6%							2009 Total		148,062	105,620	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Tonik
Scenario 3

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	764,405			128.78	102.96	80.0%							1.112	1.112	109,421	87,553	
2008	668,355	1.008	0.969	149.07	94.99	63.7%	1.158			0.923			1.053	1.051	104,909	66,717	
2009	518,933	1.040	1.029	157.57	108.05	68.6%	1.057	1.033	1.024	1.137	1.062	1.072	1.009	1.004	82,531	56,293	
2010	486,678	1.057	1.048	183.22	122.22	66.7%	1.163	1.016	1.144	1.131	1.019	1.110	0.967	0.965	86,201	57,388	
2011	399,608	1.089	1.132	211.98	145.39	68.6%	1.157	1.030	1.123	1.190	1.080	1.102	0.928	0.926	78,641	53,809	
2012	255,569	1.165	1.275	244.58	175.81	71.9%	1.154	1.070	1.078	1.209	1.127	1.073	0.890	0.888	55,622	39,895	
2013	169,643	1.249	1.417	282.35	209.96	74.4%	1.154	1.072	1.077	1.194	1.111	1.075	0.853	0.851	40,859	30,316	
2014	115,750	1.328	1.559	323.34	248.48	76.8%	1.145	1.063	1.077	1.183	1.100	1.075	0.818	0.816	30,606	23,468	
2015	79,938	1.404	1.698	368.13	291.21	79.1%	1.139	1.058	1.077	1.172	1.089	1.076	0.784	0.782	23,071	18,210	
2016	56,014	1.472	1.817	415.66	335.58	80.7%	1.129	1.048	1.077	1.152	1.070	1.077	0.752	0.750	17,498	14,096	
2017	39,933	1.525	1.904	463.84	378.94	81.7%	1.116	1.036	1.077	1.129	1.048	1.078	0.720	0.719	13,345	10,879	
2018	28,592	1.558	1.960	510.58	420.54	82.4%	1.101	1.021	1.078	1.110	1.029	1.078	0.691	0.689	10,084	8,288	
2019	20,472	1.574	1.991	556.84	461.06	82.8%	1.091	1.011	1.079	1.096	1.016	1.079	0.662	0.661	7,549	6,237	
2020	14,658	1.589	2.016	606.57	503.83	83.1%	1.089	1.010	1.079	1.093	1.012	1.079	0.635	0.633	5,644	4,678	
2021	10,495	1.598	2.029	658.18	547.48	83.2%	1.085	1.005	1.079	1.087	1.007	1.080	0.609	0.607	4,204	3,490	
2022	7,514	1.598	2.029	710.88	591.32	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	3,117	2,587	
2023	5,380	1.598	2.029	767.75	638.62	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	2,311	1,918	
2024	3,852	1.598	2.029	829.17	689.71	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	1,713	1,422	
2025	2,758	1.598	2.029	895.50	744.89	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	1,270	1,054	
Total Historical	1,784,959			APV	APV		Note - here the Total represents Med+Dent; however, the Index factor is applic to Med-only. The LLR model projections reflects this distinction; however, the above Incr attributed to "Other" factors (i.e., excl Index factor) has not been adjusted here to reflect this (shown here for informational purposes only).						Total Historical		270,472	191,822	70.92%
Total Future	1,863,588			219.00	159.09	72.64%							Total Future		408,126	296,475	72.64%
Total Lifetime	3,648,548			185.99	133.83	71.96%							Total Lifetime		678,598	488,297	71.96%
2009 Jan-Aug	352,199	1.037	1.026	156.85	105.61	67.3%							2009 Jan-Aug		56,142	37,552	
2009 Sep-Dec	166,733	1.048	1.034	159.10	113.20	71.1%							2009 Sep-Dec		26,390	18,741	
2009 Total	518,933	1.040	1.029	157.57	108.05	68.6%							2009 Total		82,531	56,293	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-4 Scenario 4

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

SmartSense
Scenario 4

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM							
							Total	Index	Other	Total	Index	Other	Prem	Cms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%							1.077	1.075	88	50	
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015			1.111			1.045	1.042	79,810	49,300	
2009	1,781,560	0.968	0.859	126.44	86.06	68.1%	1.136	1.018	1.116	1.249	1.141	1.094	1.007	1.002	226,731	153,581	
2010	2,130,060	0.988	0.924	163.23	101.43	62.1%	1.291	1.021	1.265	1.179	1.076	1.095	0.966	0.964	336,025	208,374	
2011	1,754,268	1.022	1.009	194.05	122.13	62.9%	1.189	1.034	1.149	1.204	1.092	1.103	0.928	0.926	316,061	198,431	
2012	1,099,797	1.080	1.117	221.81	146.05	65.8%	1.143	1.057	1.081	1.196	1.107	1.080	0.890	0.888	217,098	142,613	
2013	714,070	1.151	1.242	255.24	175.38	68.7%	1.151	1.065	1.080	1.201	1.111	1.081	0.853	0.851	155,487	106,579	
2014	472,782	1.233	1.398	295.33	213.30	72.2%	1.157	1.071	1.080	1.216	1.126	1.080	0.818	0.816	114,188	82,272	
2015	319,475	1.329	1.571	343.92	259.00	75.3%	1.165	1.078	1.080	1.214	1.124	1.080	0.784	0.782	86,136	64,715	
2016	222,206	1.420	1.726	396.95	307.31	77.4%	1.154	1.069	1.080	1.187	1.099	1.080	0.751	0.750	66,285	51,198	
2017	158,254	1.487	1.837	448.70	353.22	78.7%	1.130	1.047	1.080	1.149	1.065	1.080	0.720	0.719	51,159	40,181	
2018	113,310	1.531	1.916	499.05	397.70	79.7%	1.112	1.030	1.080	1.126	1.043	1.080	0.691	0.689	39,060	31,057	
2019	81,130	1.564	1.974	550.47	442.48	80.4%	1.103	1.021	1.080	1.113	1.030	1.080	0.662	0.661	29,575	23,719	
2020	58,089	1.587	2.012	603.37	487.09	80.7%	1.096	1.015	1.080	1.101	1.019	1.080	0.635	0.633	22,251	17,922	
2021	41,592	1.598	2.029	655.91	530.31	80.9%	1.087	1.007	1.080	1.089	1.008	1.080	0.609	0.607	16,604	13,394	
2022	29,780	1.598	2.029	708.44	572.79	80.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	12,310	9,931	
2023	21,322	1.598	2.029	765.11	618.61	80.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	9,126	7,362	
2024	15,267	1.598	2.029	826.32	668.10	80.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	6,765	5,458	
2025	10,931	1.598	2.029	892.43	721.55	80.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	5,015	4,046	
Total Historical	1,791,266			APV	APV								Total Historical		214,933	141,061	65.63%
Total Future	7,919,582			198.85	135.00	67.89%							Total Future		1,574,841	1,069,123	67.89%
Total Lifetime	9,710,847			184.31	124.62	67.62%							Total Lifetime		1,789,774	1,210,184	67.62%
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,711	
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.02	67.6%							2009 Sep-Dec		91,696	61,870	
2009 Total	1,781,560	0.968	0.859	126.44	86.06	68.1%							2009 Total		226,731	153,581	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Share
Scenario 4

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM							
							Total	Index	Other	Total	Index	Other	Prem	Cms	Premium	Claims	
Pre 2008	4,028,982			147.65	104.29	70.6%							1.171	1.175	696,580	493,678	
2008	1,466,368	1.147	1.184	176.93	126.61	71.6%	1.198			1.214			1.052	1.049	273,010	194,811	
2009	1,248,364	1.169	1.213	214.10	164.11	76.7%	1.210	1.019	1.187	1.296	1.025	1.265	1.009	1.005	269,720	205,845	
2010	910,688	1.217	1.289	290.45	195.13	67.2%	1.357	1.041	1.303	1.189	1.063	1.119	0.967	0.965	255,904	171,514	
2011	641,467	1.274	1.370	344.18	233.37	67.8%	1.185	1.047	1.132	1.196	1.062	1.126	0.928	0.926	204,934	138,583	
2012	433,813	1.344	1.462	392.21	269.27	68.7%	1.140	1.055	1.080	1.154	1.068	1.081	0.890	0.887	151,395	103,666	
2013	299,019	1.401	1.539	440.92	306.29	69.5%	1.124	1.042	1.079	1.137	1.053	1.081	0.853	0.851	112,466	77,919	
2014	208,899	1.442	1.590	489.35	341.13	69.7%	1.110	1.029	1.078	1.114	1.033	1.078	0.818	0.816	83,600	58,125	
2015	147,591	1.468	1.622	537.60	375.66	69.9%	1.099	1.018	1.079	1.101	1.020	1.079	0.784	0.782	62,209	43,357	
2016	105,156	1.486	1.642	587.77	410.56	69.8%	1.093	1.012	1.080	1.093	1.012	1.080	0.752	0.750	46,454	32,363	
2017	75,222	1.500	1.656	640.97	447.70	69.8%	1.091	1.009	1.081	1.090	1.009	1.081	0.721	0.719	34,740	24,202	
2018	53,859	1.510	1.668	697.76	487.49	69.9%	1.089	1.007	1.081	1.089	1.007	1.081	0.691	0.689	25,960	18,090	
2019	38,563	1.518	1.677	757.78	529.52	69.9%	1.086	1.005	1.081	1.086	1.005	1.081	0.662	0.661	19,353	13,488	
2020	27,611	1.521	1.680	820.44	573.33	69.9%	1.083	1.002	1.080	1.083	1.002	1.080	0.635	0.633	14,382	10,024	
2021	19,770	1.522	1.682	886.91	619.78	69.9%	1.081	1.001	1.080	1.081	1.001	1.080	0.609	0.607	10,672	7,438	
2022	14,155	1.522	1.682	957.87	669.37	69.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	7,912	5,514	
2023	10,135	1.522	1.682	1034.50	722.92	69.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	5,865	4,088	
2024	7,257	1.522	1.682	1117.26	780.75	69.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	4,348	3,030	
2025	5,196	1.522	1.682	1206.65	843.21	69.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	3,223	2,247	
Total Historical	6,362,811			APV	APV		Total Historical						Total Historical		1,154,068	825,974	71.57%
Total Future	3,379,302			333.99	231.41	69.29%							Total Future		1,128,658	782,006	69.29%
Total Lifetime	9,742,114			234.32	165.05	70.44%							Total Lifetime		2,282,726	1,607,980	70.44%
2009 Jan-Aug	867,461	1.166	1.204	209.33	156.80	74.9%							2009 Jan-Aug		184,477	137,486	
2009 Sep-Dec	380,903	1.178	1.234	224.94	180.74	80.3%							2009 Sep-Dec		85,242	68,360	
2009 Total	1,248,364	1.169	1.213	214.10	164.11	76.7%							2009 Total		269,720	205,845	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-4 Scenario 4

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

3500

Scenario 4

Analysis of Lifetime Loss Ratio (LLR)

Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	954,215			127.72	71.18	55.7%							1.122	1.116	136,704	75,802	
2008	853,262	1.008	1.015	131.01	81.66	62.3%	1.026			1.147			1.051	1.047	117,524	72,924	
2009	1,033,798	1.037	1.100	144.27	90.93	63.0%	1.101	1.028	1.071	1.114	1.084	1.027	1.008	1.002	150,400	94,155	
2010	1,014,417	1.069	1.194	168.98	111.98	66.3%	1.171	1.031	1.136	1.231	1.085	1.135	0.967	0.963	165,745	109,436	
2011	871,055	1.119	1.338	194.28	140.03	72.1%	1.150	1.047	1.098	1.251	1.121	1.116	0.928	0.924	157,017	112,750	
2012	652,266	1.202	1.555	225.44	175.73	78.0%	1.160	1.073	1.081	1.255	1.162	1.080	0.889	0.886	130,782	101,576	
2013	498,305	1.283	1.749	260.11	213.36	82.0%	1.154	1.068	1.080	1.214	1.125	1.080	0.853	0.850	110,514	90,333	
2014	385,123	1.362	1.919	298.21	252.99	84.8%	1.146	1.061	1.080	1.186	1.097	1.081	0.817	0.815	93,877	79,364	
2015	300,483	1.438	2.079	339.96	296.33	87.2%	1.140	1.056	1.080	1.171	1.083	1.081	0.784	0.781	80,054	69,535	
2016	236,871	1.502	2.209	383.38	340.35	88.8%	1.128	1.044	1.080	1.149	1.063	1.081	0.751	0.749	68,222	60,356	
2017	188,327	1.548	2.301	426.58	383.04	89.8%	1.113	1.030	1.080	1.125	1.041	1.081	0.720	0.718	57,860	51,776	
2018	150,052	1.577	2.361	469.28	424.74	90.5%	1.100	1.019	1.080	1.109	1.026	1.081	0.691	0.688	48,623	43,858	
2019	119,555	1.595	2.399	512.53	466.32	91.0%	1.092	1.011	1.080	1.098	1.016	1.081	0.662	0.660	40,565	36,782	
2020	95,257	1.607	2.423	557.72	508.76	91.2%	1.088	1.008	1.080	1.091	1.010	1.080	0.635	0.632	33,715	30,650	
2021	75,897	1.613	2.433	604.39	551.80	91.3%	1.084	1.003	1.080	1.085	1.004	1.080	0.608	0.606	27,909	25,393	
2022	60,471	1.613	2.433	652.77	595.97	91.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.583	0.581	23,025	20,950	
2023	48,181	1.613	2.433	704.99	643.64	91.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.557	18,995	17,283	
2024	38,389	1.613	2.433	761.39	695.14	91.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	15,668	14,256	
2025	30,587	1.613	2.433	822.30	750.75	91.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	12,926	11,761	
Total Historical	2,491,671			APV	APV								Total Historical		353,332	204,648	57.92%
Total Future	5,114,841			222.25	178.75	80.43%							Total Future		1,136,791	914,293	80.43%
Total Lifetime	7,606,511			195.90	147.10	75.09%							Total Lifetime		1,490,123	1,118,941	75.09%
2009 Jan-Aug	684,194	1.032	1.085	142.62	81.11	56.9%							2009 Jan-Aug		99,104	55,921	
2009 Sep-Dec	349,603	1.045	1.129	147.50	110.16	74.7%							2009 Sep-Dec		51,295	38,233	
2009 Total	1,033,798	1.037	1.100	144.27	90.93	63.0%							2009 Total		150,400	94,155	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

CDHP w/ Mat
Scenario 4

Analysis of Lifetime Loss Ratio (LLR)

Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	12,141			179.13	107.64	60.1%							1.085	1.083	2,361	1,415	
2008	64,348	0.923	0.798	184.27	215.37	116.9%	1.029			2.001			1.049	1.045	12,439	14,477	
2009	104,769	0.954	0.888	188.42	273.87	145.4%	1.023	1.033	0.989	1.272	1.113	1.143	1.008	1.003	19,907	28,773	
2010	102,582	1.000	0.967	248.40	352.10	141.7%	1.318	1.049	1.257	1.286	1.090	1.179	0.967	0.964	24,629	34,803	
2011	81,840	1.063	1.073	322.33	429.59	133.3%	1.298	1.063	1.221	1.220	1.109	1.100	0.928	0.925	24,489	32,519	
2012	51,812	1.170	1.228	383.84	530.47	138.2%	1.191	1.101	1.082	1.235	1.144	1.079	0.890	0.887	17,698	24,372	
2013	33,771	1.268	1.368	449.46	637.60	141.9%	1.171	1.084	1.080	1.202	1.114	1.079	0.853	0.850	12,949	18,306	
2014	22,559	1.343	1.467	513.90	739.01	143.8%	1.143	1.059	1.080	1.159	1.073	1.081	0.818	0.815	9,482	13,587	
2015	15,428	1.392	1.542	575.18	837.92	145.7%	1.119	1.036	1.080	1.134	1.051	1.079	0.784	0.781	6,958	10,102	
2016	10,794	1.424	1.575	635.40	924.89	145.6%	1.105	1.023	1.080	1.104	1.021	1.081	0.752	0.749	5,155	7,478	
2017	7,694	1.451	1.603	699.33	1017.45	145.5%	1.101	1.019	1.080	1.100	1.018	1.081	0.721	0.718	3,877	5,621	
2018	5,509	1.480	1.634	770.20	1120.36	145.5%	1.101	1.020	1.080	1.101	1.020	1.080	0.691	0.688	2,931	4,249	
2019	3,944	1.502	1.660	844.72	1228.41	145.4%	1.097	1.015	1.080	1.096	1.015	1.080	0.662	0.660	2,207	3,198	
2020	2,824	1.516	1.675	920.63	1338.51	145.4%	1.090	1.009	1.080	1.090	1.009	1.080	0.635	0.633	1,651	2,392	
2021	2,022	1.522	1.682	998.28	1451.03	145.4%	1.084	1.004	1.080	1.084	1.004	1.080	0.609	0.607	1,229	1,780	
2022	1,448	1.522	1.682	1078.19	1567.18	145.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	911	1,320	
2023	1,037	1.522	1.682	1164.45	1692.55	145.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	675	978	
2024	742	1.522	1.682	1257.60	1827.96	145.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	501	725	
2025	531	1.522	1.682	1358.21	1974.20	145.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	371	538	
Total Historical	145,614			APV	APV								Total Historical		27,791	32,079	115.43%
Total Future	380,182			322.55	459.13	142.34%							Total Future		122,627	174,553	142.34%
Total Lifetime	525,796			286.08	392.99	137.37%							Total Lifetime		150,418	206,632	137.37%
2009 Jan-Aug	69,125	0.945	0.867	185.00	231.69	125.2%							2009 Jan-Aug		12,991	16,187	
2009 Sep-Dec	35,644	0.970	0.928	195.06	355.69	182.3%							2009 Sep-Dec		6,916	12,586	
2009 Total	104,769	0.954	0.888	188.42	273.87	145.4%							2009 Total		19,907	28,773	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-4 Scenario 4

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

CDHP No Mat
Scenario 4

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	89			115.81	311.64	269.1%							1.077	1.075	11	30	
2008	61,271	0.923	0.664	129.91	70.80	54.5%	1.122			0.227			1.045	1.042	8,314	4,518	
2009	205,202	0.945	0.778	142.84	77.43	54.2%	1.100	1.024	1.074	1.094	1.172	0.933	1.006	1.000	29,484	15,881	
2010	320,547	0.970	0.879	167.98	91.36	54.4%	1.176	1.027	1.145	1.180	1.130	1.044	0.966	0.962	52,006	28,177	
2011	324,593	1.011	1.041	191.08	117.75	61.6%	1.137	1.043	1.091	1.289	1.185	1.088	0.928	0.924	57,552	35,323	
2012	237,315	1.081	1.269	220.66	154.62	70.1%	1.155	1.069	1.080	1.313	1.219	1.077	0.889	0.886	46,578	32,515	
2013	178,164	1.153	1.468	254.21	192.81	75.8%	1.152	1.067	1.080	1.247	1.157	1.078	0.853	0.850	38,619	29,187	
2014	134,844	1.233	1.650	293.62	234.21	79.8%	1.155	1.069	1.080	1.215	1.124	1.081	0.817	0.815	32,365	25,724	
2015	103,070	1.328	1.857	341.66	284.68	83.3%	1.164	1.077	1.080	1.215	1.125	1.080	0.784	0.781	27,596	22,913	
2016	80,189	1.422	2.047	394.98	338.78	85.8%	1.156	1.070	1.080	1.190	1.102	1.079	0.751	0.749	23,793	20,336	
2017	63,577	1.493	2.188	448.04	390.84	87.2%	1.134	1.050	1.080	1.154	1.069	1.079	0.720	0.718	20,515	17,834	
2018	50,656	1.541	2.287	499.12	440.80	88.3%	1.114	1.032	1.080	1.128	1.045	1.079	0.690	0.688	17,458	15,365	
2019	40,360	1.574	2.357	550.54	490.59	89.1%	1.103	1.021	1.080	1.113	1.031	1.080	0.662	0.660	14,709	13,063	
2020	32,158	1.600	2.409	604.45	541.14	89.5%	1.098	1.017	1.080	1.103	1.022	1.080	0.635	0.632	12,335	11,005	
2021	25,622	1.613	2.433	658.02	589.94	89.7%	1.089	1.008	1.080	1.090	1.010	1.079	0.608	0.606	10,258	9,165	
2022	20,414	1.613	2.433	710.72	637.20	89.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.583	0.581	8,463	7,562	
2023	16,265	1.613	2.433	767.58	688.17	89.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.557	6,982	6,238	
2024	12,960	1.613	2.433	828.99	743.23	89.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	5,759	5,146	
2025	10,326	1.613	2.433	895.31	802.68	89.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	4,751	4,245	
Total Historical	182,476			APV	APV		Total Historical								25,330	13,192	52.08%
Total Future	1,735,146			226.04	167.73	74.20%	Total Future								392,217	291,034	74.20%
Total Lifetime	1,917,622			217.74	158.65	72.86%	Total Lifetime								417,548	304,226	72.86%
2009 Jan-Aug	121,116	0.940	0.758	138.41	70.98	51.3%							2009 Jan-Aug		17,005	8,644	
2009 Sep-Dec	84,086	0.951	0.806	149.23	86.71	58.1%							2009 Sep-Dec		12,479	7,237	
2009 Total	205,202	0.945	0.778	142.84	77.43	54.2%							2009 Total		29,484	15,881	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Scenario 4

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)	
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims		
							Total	Index	Other	Total	Index	Other						
Pre 2008	642,980			152.50	107.11	70.2%							1.173	1.176	115,009	80,966		
2008	178,488	1.187	1.303	196.00	116.22	59.3%	1.285				1.085			1.052	1.049	36,806	21,765	
2009	182,608	1.225	1.366	200.17	150.37	75.1%	1.021	1.032	0.990	1.294	1.048	1.235	1.009	1.005	36,889	27,588		
2010	144,617	1.265	1.443	230.98	171.60	74.3%	1.154	1.032	1.118	1.141	1.057	1.080	0.968	0.965	32,329	23,959		
2011	101,279	1.328	1.558	266.52	206.15	77.3%	1.154	1.050	1.099	1.201	1.080	1.113	0.928	0.926	25,055	19,333		
2012	69,558	1.394	1.674	301.77	238.68	79.1%	1.132	1.050	1.078	1.158	1.075	1.077	0.890	0.888	18,677	14,737		
2013	48,512	1.450	1.772	338.52	272.73	80.6%	1.122	1.040	1.079	1.143	1.058	1.080	0.853	0.851	14,008	11,259		
2014	34,111	1.496	1.855	377.23	308.71	81.8%	1.114	1.032	1.080	1.132	1.047	1.081	0.818	0.816	10,523	8,591		
2015	24,142	1.533	1.919	417.59	345.65	82.8%	1.107	1.025	1.080	1.120	1.035	1.082	0.784	0.782	7,904	6,527		
2016	17,216	1.559	1.964	459.12	382.80	83.4%	1.099	1.017	1.081	1.107	1.023	1.083	0.752	0.750	5,941	4,941		
2017	12,320	1.576	1.991	501.43	420.09	83.8%	1.092	1.010	1.081	1.097	1.014	1.082	0.721	0.719	4,451	3,720		
2018	8,821	1.585	2.008	545.14	458.28	84.1%	1.087	1.006	1.081	1.091	1.009	1.082	0.691	0.689	3,322	2,786		
2019	6,316	1.592	2.020	591.59	498.45	84.3%	1.085	1.004	1.080	1.088	1.006	1.081	0.662	0.661	2,475	2,080		
2020	4,522	1.597	2.028	640.84	540.54	84.3%	1.083	1.003	1.080	1.084	1.004	1.081	0.635	0.633	1,840	1,548		
2021	3,238	1.598	2.029	692.64	584.38	84.4%	1.081	1.001	1.080	1.081	1.001	1.080	0.609	0.607	1,365	1,149		
2022	2,318	1.598	2.029	748.05	631.14	84.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	1,012	852		
2023	1,660	1.598	2.029	807.90	681.63	84.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	750	632		
2024	1,189	1.598	2.029	872.53	736.16	84.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	556	468		
2025	851	1.598	2.029	942.33	795.05	84.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	412	347		
Total Historical	945,349			APV	APV		Total Historical								176,963	121,110	68.44%	
Total Future	539,398			263.92	207.89	78.77%	Total Future								142,360	112,137	78.77%	
Total Lifetime	1,484,747			215.07	157.10	73.04%	Total Lifetime								319,323	233,247	73.04%	
2009 Jan-Aug	123,881	1.222	1.358	199.80	146.79	73.5%	2009 Jan-Aug								25,149	18,379		
2009 Sep-Dec	58,727	1.233	1.381	200.94	157.92	78.6%	2009 Sep-Dec								11,740	9,209		
2009 Total	182,608	1.225	1.366	200.17	150.37	75.1%	2009 Total								36,889	27,588		

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-4 Scenario 4

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

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Scenario 4

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM							
							Total	Index	Other	Total	Index	Other	Prem	Cims	Premium	Claims	
Pre 2008	1,782,611			133.58	97.71	73.2%							1.129	1.132	268,912	197,215	
2008	922,591	1.053	1.054	166.43	115.18	69.2%	1.246			1.179			1.053	1.050	161,611	111,594	
2009	753,356	1.090	1.123	194.74	139.49	71.6%	1.170	1.035	1.130	1.211	1.065	1.137	1.009	1.005	148,062	105,601	
2010	563,580	1.139	1.220	255.79	173.47	67.8%	1.314	1.045	1.256	1.244	1.087	1.144	0.967	0.966	139,459	94,431	
2011	401,917	1.202	1.336	303.60	211.43	69.6%	1.187	1.055	1.125	1.219	1.095	1.113	0.928	0.926	113,264	78,724	
2012	268,883	1.287	1.487	350.17	253.20	72.3%	1.153	1.070	1.078	1.198	1.113	1.076	0.890	0.888	83,775	60,462	
2013	184,299	1.363	1.622	400.05	297.91	74.5%	1.142	1.060	1.078	1.177	1.091	1.078	0.853	0.851	62,889	46,745	
2014	128,436	1.432	1.744	453.34	346.01	76.3%	1.133	1.050	1.079	1.161	1.075	1.080	0.818	0.816	47,613	36,274	
2015	90,481	1.491	1.848	510.19	396.64	77.7%	1.125	1.042	1.080	1.146	1.060	1.082	0.784	0.783	36,191	28,084	
2016	64,324	1.535	1.922	567.34	446.37	78.7%	1.112	1.029	1.081	1.125	1.040	1.082	0.752	0.750	27,427	21,540	
2017	45,993	1.562	1.969	624.28	494.77	79.3%	1.100	1.018	1.081	1.108	1.024	1.082	0.721	0.719	20,688	16,366	
2018	32,931	1.579	1.998	682.07	543.21	79.6%	1.093	1.011	1.081	1.098	1.015	1.082	0.691	0.690	15,516	12,335	
2019	23,578	1.589	2.016	741.66	592.44	79.9%	1.087	1.006	1.081	1.091	1.009	1.081	0.662	0.661	11,581	9,234	
2020	16,882	1.595	2.025	804.13	643.24	80.0%	1.084	1.004	1.080	1.086	1.005	1.081	0.635	0.634	8,619	6,882	
2021	12,088	1.598	2.029	870.00	696.31	80.0%	1.082	1.002	1.080	1.083	1.002	1.080	0.609	0.608	6,401	5,114	
2022	8,655	1.598	2.029	939.62	752.03	80.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	4,745	3,791	
2023	6,197	1.598	2.029	1014.79	812.20	80.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	3,518	2,811	
2024	4,437	1.598	2.029	1095.97	877.17	80.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	2,608	2,083	
2025	3,177	1.598	2.029	1183.65	947.35	80.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	1,933	1,544	
Total Historical	3,226,415			APV	APV		Total Historical						Total Historical		531,740	379,977	71.46%
Total Future	2,087,998			303.19	220.71	72.80%							Total Future		633,069	460,852	72.80%
Total Lifetime	5,314,414			219.18	158.22	72.19%							Total Lifetime		1,164,810	840,830	72.19%
2009 Jan-Aug	521,213	1.083	1.109	191.13	135.09	70.7%							2009 Jan-Aug		101,218	71,168	
2009 Sep-Dec	232,143	1.104	1.153	202.83	149.36	73.6%							2009 Sep-Dec		46,844	34,433	
2009 Total	753,356	1.090	1.123	194.74	139.49	71.6%							2009 Total		148,062	105,601	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Tonik
Scenario 4

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	764,405			128.78	102.96	80.0%							1.112	1.112	109,421	87,553	
2008	668,355	1.008	0.969	149.07	94.99	63.7%	1.158			0.923			1.053	1.051	104,909	66,717	
2009	518,933	1.040	1.029	157.57	108.03	68.6%	1.057	1.033	1.024	1.137	1.062	1.071	1.009	1.004	82,531	56,282	
2010	486,678	1.057	1.048	187.84	121.76	64.8%	1.192	1.016	1.173	1.127	1.019	1.106	0.967	0.965	88,363	57,172	
2011	399,608	1.089	1.132	220.54	144.54	65.5%	1.174	1.030	1.139	1.187	1.080	1.099	0.928	0.926	81,817	53,494	
2012	255,569	1.165	1.275	254.54	174.78	68.7%	1.154	1.070	1.079	1.209	1.127	1.073	0.890	0.888	57,889	39,660	
2013	169,643	1.249	1.417	293.91	208.72	71.0%	1.155	1.072	1.078	1.194	1.111	1.075	0.853	0.851	42,532	30,137	
2014	115,750	1.328	1.559	336.64	247.00	73.4%	1.145	1.063	1.077	1.183	1.100	1.075	0.818	0.816	31,865	23,328	
2015	79,938	1.404	1.698	383.32	289.47	75.5%	1.139	1.058	1.077	1.172	1.089	1.076	0.784	0.782	24,023	18,101	
2016	56,014	1.472	1.817	432.85	333.57	77.1%	1.129	1.048	1.077	1.152	1.070	1.077	0.752	0.750	18,222	14,012	
2017	39,933	1.525	1.904	483.07	376.67	78.0%	1.116	1.036	1.077	1.129	1.048	1.078	0.720	0.719	13,898	10,814	
2018	28,592	1.558	1.960	531.77	418.01	78.6%	1.101	1.021	1.078	1.110	1.029	1.078	0.691	0.689	10,503	8,238	
2019	20,472	1.574	1.991	579.96	458.29	79.0%	1.091	1.011	1.079	1.096	1.016	1.079	0.662	0.661	7,863	6,200	
2020	14,658	1.589	2.016	631.76	500.80	79.3%	1.089	1.010	1.079	1.093	1.012	1.079	0.635	0.633	5,879	4,650	
2021	10,495	1.598	2.029	685.53	544.19	79.4%	1.085	1.005	1.079	1.087	1.007	1.080	0.609	0.607	4,379	3,469	
2022	7,514	1.598	2.029	740.42	587.77	79.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	3,247	2,572	
2023	5,380	1.598	2.029	799.65	634.79	79.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	2,407	1,907	
2024	3,852	1.598	2.029	863.62	685.57	79.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	1,784	1,413	
2025	2,758	1.598	2.029	932.71	740.42	79.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	1,323	1,048	
Total Historical	1,784,959			APV	APV		Note - here the Total represents Med+Dent; however, the Index factor is applic to Med-only.						Total Historical		270,472	191,822	70.92%
Total Future	1,863,588			226.65	158.27	69.83%							Total Future		422,382	294,945	69.83%
Total Lifetime	3,648,548			189.90	133.41	70.26%							Total Lifetime		692,854	486,766	70.26%
The LLR model projections reflects this distinction; however, the above Incr attributed to "Other" factors (i.e., excl Index factor) has not been adjusted here to reflect this (shown here for informational purposes only).																	
2009 Jan-Aug	352,199	1.037	1.026	156.85	105.61	67.3%							2009 Jan-Aug		56,142	37,552	
2009 Sep-Dec	166,733	1.048	1.034	159.10	113.13	71.1%							2009 Sep-Dec		26,390	18,730	
2009 Total	518,933	1.040	1.029	157.57	108.03	68.6%							2009 Total		82,531	56,282	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-5 Scenario 5

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

SmartSense
Scenario 5

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	745			109.69	62.02	56.5%							1.077	1.075	88	50	
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015			1.111			1.045	1.042	79,810	49,300	
2009	1,781,560	0.968	0.859	126.44	86.06	68.1%	1.136	1.018	1.116	1.249	1.141	1.094	1.007	1.002	226,731	153,581	
2010	2,130,060	0.988	0.924	152.66	101.43	66.4%	1.207	1.021	1.183	1.179	1.076	1.095	0.967	0.964	314,419	208,374	
2011	1,754,268	1.022	1.009	167.36	122.13	73.0%	1.096	1.034	1.060	1.204	1.092	1.103	0.928	0.926	272,601	198,431	
2012	1,099,797	1.080	1.117	191.08	146.05	76.4%	1.142	1.057	1.080	1.196	1.107	1.080	0.890	0.888	187,026	142,613	
2013	714,070	1.151	1.242	219.89	175.38	79.8%	1.151	1.065	1.080	1.201	1.111	1.081	0.853	0.851	133,949	106,579	
2014	472,782	1.233	1.398	254.42	213.30	83.8%	1.157	1.071	1.080	1.216	1.126	1.080	0.818	0.816	98,371	82,272	
2015	319,475	1.329	1.571	296.28	259.00	87.4%	1.165	1.078	1.080	1.214	1.124	1.080	0.784	0.782	74,204	64,715	
2016	222,206	1.420	1.726	341.96	307.31	89.9%	1.154	1.069	1.080	1.187	1.099	1.080	0.751	0.750	57,103	51,198	
2017	158,254	1.487	1.837	386.54	353.22	91.4%	1.130	1.047	1.080	1.149	1.065	1.080	0.720	0.719	44,072	40,181	
2018	113,310	1.531	1.916	429.92	397.70	92.5%	1.112	1.030	1.080	1.126	1.043	1.080	0.691	0.689	33,649	31,057	
2019	81,130	1.564	1.974	474.22	442.48	93.3%	1.103	1.021	1.080	1.113	1.030	1.080	0.662	0.661	25,478	23,719	
2020	58,089	1.587	2.012	519.80	487.09	93.7%	1.096	1.015	1.080	1.101	1.019	1.080	0.635	0.633	19,169	17,922	
2021	41,592	1.598	2.029	565.05	530.31	93.9%	1.087	1.007	1.080	1.089	1.008	1.080	0.609	0.607	14,304	13,394	
2022	29,780	1.598	2.029	610.31	572.79	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	10,605	9,931	
2023	21,322	1.598	2.029	659.13	618.61	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	7,862	7,362	
2024	15,267	1.598	2.029	711.86	668.10	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	5,828	5,458	
2025	10,931	1.598	2.029	768.81	721.55	93.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	4,321	4,046	
Total Historical	1,791,266			APV	APV								Total Historical		214,933	141,061	65.63%
Total Future	7,919,582			176.10	135.00	76.66%							Total Future		1,394,658	1,069,123	76.66%
Total Lifetime	9,710,847			165.75	124.62	75.19%							Total Lifetime		1,609,591	1,210,184	75.19%
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,711	
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.02	67.6%							2009 Sep-Dec		91,696	61,870	
2009 Total	1,781,560	0.968	0.859	126.44	86.06	68.1%							2009 Total		226,731	153,581	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Share
Scenario 5

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	4,028,982			147.65	104.29	70.6%							1.171	1.175	696,580	493,678	
2008	1,466,368	1.147	1.184	176.93	126.61	71.6%	1.198			1.214			1.052	1.049	273,010	194,811	
2009	1,248,364	1.169	1.213	214.10	164.11	76.7%	1.210	1.019	1.187	1.296	1.025	1.265	1.009	1.005	269,720	205,845	
2010	910,688	1.217	1.289	273.01	195.13	71.5%	1.275	1.041	1.225	1.189	1.063	1.119	0.968	0.965	240,588	171,514	
2011	641,467	1.274	1.370	317.94	233.37	73.4%	1.165	1.047	1.113	1.196	1.062	1.126	0.928	0.926	189,312	138,583	
2012	433,813	1.344	1.462	362.26	269.27	74.3%	1.139	1.055	1.080	1.154	1.068	1.081	0.890	0.887	139,834	103,666	
2013	299,019	1.401	1.539	407.25	306.29	75.2%	1.124	1.042	1.079	1.137	1.053	1.081	0.853	0.851	103,877	77,919	
2014	208,899	1.442	1.590	451.98	341.13	75.5%	1.110	1.029	1.078	1.114	1.033	1.078	0.818	0.816	77,216	58,125	
2015	147,591	1.468	1.622	496.55	375.66	75.7%	1.099	1.018	1.079	1.101	1.020	1.079	0.784	0.782	57,459	43,357	
2016	105,156	1.486	1.642	542.89	410.56	75.6%	1.093	1.012	1.080	1.093	1.012	1.080	0.752	0.750	42,906	32,363	
2017	75,222	1.500	1.656	592.02	447.70	75.6%	1.091	1.009	1.081	1.090	1.009	1.081	0.721	0.719	32,087	24,202	
2018	53,859	1.510	1.668	644.48	487.49	75.6%	1.089	1.007	1.081	1.089	1.007	1.081	0.691	0.689	23,978	18,090	
2019	38,563	1.518	1.677	699.91	529.52	75.7%	1.086	1.005	1.081	1.086	1.005	1.081	0.662	0.661	17,875	13,488	
2020	27,611	1.521	1.680	757.79	573.33	75.7%	1.083	1.002	1.080	1.083	1.002	1.080	0.635	0.633	13,284	10,024	
2021	19,770	1.522	1.682	819.18	619.78	75.7%	1.081	1.001	1.080	1.081	1.001	1.080	0.609	0.607	9,857	7,438	
2022	14,155	1.522	1.682	884.73	669.37	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	7,307	5,514	
2023	10,135	1.522	1.682	955.51	722.92	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	5,417	4,088	
2024	7,257	1.522	1.682	1031.95	780.75	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	4,016	3,030	
2025	5,196	1.522	1.682	1114.50	843.21	75.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	2,977	2,247	
Total Historical	6,362,811			APV	APV								Total Historical		1,154,068	825,974	71.57%
Total Future	3,379,302			311.67	231.41	74.25%							Total Future		1,053,233	782,006	74.25%
Total Lifetime	9,742,114			226.57	165.05	72.85%							Total Lifetime		2,207,301	1,607,980	72.85%
2009 Jan-Aug	867,461	1.166	1.204	209.33	156.80	74.9%							2009 Jan-Aug		184,477	137,486	
2009 Sep-Dec	380,903	1.178	1.234	224.94	180.74	80.3%							2009 Sep-Dec		85,242	68,360	
2009 Total	1,248,364	1.169	1.213	214.10	164.11	76.7%							2009 Total		269,720	205,845	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-5 Scenario 5

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

3500

Scenario 5

Analysis of Lifetime Loss Ratio (LLR)

Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM							
							Total	Index	Other	Total	Index	Other	Prem	Cims	Premium	Claims	
Pre 2008	954,215			127.72	71.18	55.7%							1.122	1.116	136,704	75,802	
2008	853,262	1.008	1.015	131.01	81.66	62.3%	1.026			1.147			1.051	1.047	117,524	72,924	
2009	1,033,798	1.037	1.100	144.27	90.93	63.0%	1.101	1.028	1.071	1.114	1.084	1.027	1.008	1.002	150,400	94,155	
2010	1,014,417	1.069	1.194	158.88	111.98	70.5%	1.101	1.031	1.068	1.231	1.085	1.135	0.967	0.963	155,885	109,436	
2011	871,055	1.119	1.338	177.70	140.03	78.8%	1.118	1.047	1.068	1.251	1.121	1.116	0.928	0.924	143,617	112,750	
2012	652,266	1.202	1.555	206.14	175.73	85.2%	1.160	1.073	1.081	1.255	1.162	1.080	0.889	0.886	119,588	101,576	
2013	498,305	1.283	1.749	237.85	213.36	89.7%	1.154	1.068	1.080	1.214	1.125	1.080	0.853	0.850	101,055	90,333	
2014	385,123	1.362	1.919	272.68	252.99	92.8%	1.146	1.061	1.080	1.186	1.097	1.081	0.817	0.815	85,842	79,364	
2015	300,483	1.438	2.079	310.86	296.33	95.3%	1.140	1.056	1.080	1.171	1.083	1.081	0.784	0.781	73,202	69,535	
2016	236,871	1.502	2.209	350.57	340.35	97.1%	1.128	1.044	1.080	1.149	1.063	1.081	0.751	0.749	62,382	60,356	
2017	188,327	1.548	2.301	390.06	383.04	98.2%	1.113	1.030	1.080	1.125	1.041	1.081	0.720	0.718	52,908	51,776	
2018	150,052	1.577	2.361	429.11	424.74	99.0%	1.100	1.019	1.080	1.109	1.026	1.081	0.691	0.688	44,461	43,858	
2019	119,555	1.595	2.399	468.66	466.32	99.5%	1.092	1.011	1.080	1.098	1.016	1.081	0.662	0.660	37,093	36,782	
2020	95,257	1.607	2.423	509.98	508.76	99.8%	1.088	1.008	1.080	1.091	1.010	1.080	0.635	0.632	30,829	30,650	
2021	75,897	1.613	2.433	552.66	551.80	99.8%	1.084	1.003	1.080	1.085	1.004	1.080	0.608	0.606	25,520	25,393	
2022	60,471	1.613	2.433	596.89	595.97	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.583	0.581	21,054	20,950	
2023	48,181	1.613	2.433	644.65	643.64	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.557	17,369	17,283	
2024	38,389	1.613	2.433	696.22	695.14	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	14,327	14,256	
2025	30,587	1.613	2.433	751.91	750.75	99.8%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	11,819	11,761	
Total Historical	2,491,671			APV	APV								Total Historical		353,332	204,648	57.92%
Total Future	5,114,841			204.94	178.75	87.22%							Total Future		1,048,247	914,293	87.22%
Total Lifetime	7,606,511			184.26	147.10	79.83%							Total Lifetime		1,401,580	1,118,941	79.83%
2009 Jan-Aug	684,194	1.032	1.085	142.62	81.11	56.9%							2009 Jan-Aug		99,104	55,921	
2009 Sep-Dec	349,603	1.045	1.129	147.50	110.16	74.7%							2009 Sep-Dec		51,295	38,233	
2009 Total	1,033,798	1.037	1.100	144.27	90.93	63.0%							2009 Total		150,400	94,155	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

CDHP w/ Mat
Scenario 5

Analysis of Lifetime Loss Ratio (LLR)

Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Cims	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	12,141			179.13	107.64	60.1%							1.085	1.083	2,361	1,415	
2008	64,348	0.923	0.798	184.27	215.37	116.9%	1.029			2.001			1.049	1.045	12,439	14,477	
2009	104,769	0.954	0.888	188.42	273.87	145.4%	1.023	1.033	0.989	1.272	1.113	1.143	1.008	1.003	19,907	28,773	
2010	102,582	1.000	0.967	240.81	352.10	146.2%	1.278	1.049	1.219	1.286	1.090	1.179	0.967	0.964	23,882	34,803	
2011	81,840	1.063	1.073	297.96	429.59	144.2%	1.237	1.063	1.164	1.220	1.109	1.100	0.928	0.925	22,637	32,519	
2012	51,812	1.170	1.228	354.61	530.47	149.6%	1.190	1.101	1.081	1.235	1.144	1.079	0.890	0.887	16,350	24,372	
2013	33,771	1.268	1.368	415.24	637.60	153.5%	1.171	1.084	1.080	1.202	1.114	1.079	0.853	0.850	11,963	18,306	
2014	22,559	1.343	1.467	474.78	739.01	155.7%	1.143	1.059	1.080	1.159	1.073	1.081	0.818	0.815	8,760	13,587	
2015	15,428	1.392	1.542	531.39	837.92	157.7%	1.119	1.036	1.080	1.134	1.051	1.079	0.784	0.781	6,428	10,102	
2016	10,794	1.424	1.575	587.02	924.89	157.6%	1.105	1.023	1.080	1.104	1.021	1.081	0.752	0.749	4,762	7,478	
2017	7,694	1.451	1.603	646.09	1017.45	157.5%	1.101	1.019	1.080	1.100	1.018	1.081	0.721	0.718	3,582	5,621	
2018	5,509	1.480	1.634	711.56	1120.36	157.5%	1.101	1.020	1.080	1.101	1.020	1.080	0.691	0.688	2,708	4,249	
2019	3,944	1.502	1.660	780.41	1228.41	157.4%	1.097	1.015	1.080	1.096	1.015	1.080	0.662	0.660	2,039	3,198	
2020	2,824	1.516	1.675	850.54	1338.51	157.4%	1.090	1.009	1.080	1.090	1.009	1.080	0.635	0.633	1,525	2,392	
2021	2,022	1.522	1.682	922.27	1451.03	157.3%	1.084	1.004	1.080	1.084	1.004	1.080	0.609	0.607	1,135	1,780	
2022	1,448	1.522	1.682	996.10	1567.18	157.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	842	1,320	
2023	1,037	1.522	1.682	1075.79	1692.55	157.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	624	978	
2024	742	1.522	1.682	1161.86	1827.96	157.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	462	725	
2025	531	1.522	1.682	1254.80	1974.20	157.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	343	538	
Total Historical	145,614			APV	APV								Total Historical		27,791	32,079	115.43%
Total Future	380,182			302.38	459.13	151.84%							Total Future		114,958	174,553	151.84%
Total Lifetime	525,796			271.49	392.99	144.75%							Total Lifetime		142,749	206,632	144.75%
2009 Jan-Aug	69,125	0.945	0.867	185.00	231.69	125.2%							2009 Jan-Aug		12,991	16,187	
2009 Sep-Dec	35,644	0.970	0.928	195.06	355.69	182.3%							2009 Sep-Dec		6,916	12,586	
2009 Total	104,769	0.954	0.888	188.42	273.87	145.4%							2009 Total		19,907	28,773	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-5 Scenario 5

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

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Scenario 5

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	89			115.81	311.64	269.1%							1.077	1.075	11	30	
2008	61,271	0.923	0.664	129.91	70.80	54.5%	1.122			0.227			1.045	1.042	8,314	4,518	
2009	205,202	0.945	0.778	142.84	77.43	54.2%	1.100	1.024	1.074	1.094	1.172	0.933	1.006	1.000	29,484	15,881	
2010	320,547	0.970	0.879	160.58	91.36	56.9%	1.124	1.027	1.095	1.180	1.130	1.044	0.966	0.962	49,730	28,177	
2011	324,593	1.011	1.041	173.75	117.75	67.8%	1.082	1.043	1.038	1.289	1.185	1.088	0.928	0.924	52,335	35,323	
2012	237,315	1.081	1.269	200.52	154.62	77.1%	1.154	1.069	1.080	1.313	1.219	1.077	0.889	0.886	42,326	32,515	
2013	178,164	1.153	1.468	231.00	192.81	83.5%	1.152	1.067	1.080	1.247	1.157	1.078	0.853	0.850	35,094	29,187	
2014	134,844	1.233	1.650	266.82	234.21	87.8%	1.155	1.069	1.080	1.215	1.124	1.081	0.817	0.815	29,411	25,724	
2015	103,070	1.328	1.857	310.48	284.68	91.7%	1.164	1.077	1.080	1.215	1.125	1.080	0.784	0.781	25,077	22,913	
2016	80,189	1.422	2.047	358.93	338.78	94.4%	1.156	1.070	1.080	1.190	1.102	1.079	0.751	0.749	21,621	20,336	
2017	63,577	1.493	2.188	407.14	390.84	96.0%	1.134	1.050	1.080	1.154	1.069	1.079	0.720	0.718	18,642	17,834	
2018	50,656	1.541	2.287	453.56	440.80	97.2%	1.114	1.032	1.080	1.128	1.045	1.079	0.690	0.688	15,864	15,365	
2019	40,360	1.574	2.357	500.29	490.59	98.1%	1.103	1.021	1.080	1.113	1.031	1.080	0.662	0.660	13,367	13,063	
2020	32,158	1.600	2.409	549.28	541.14	98.5%	1.098	1.017	1.080	1.103	1.022	1.080	0.635	0.632	11,209	11,005	
2021	25,622	1.613	2.433	597.96	589.94	98.7%	1.089	1.008	1.080	1.090	1.010	1.079	0.608	0.606	9,321	9,165	
2022	20,414	1.613	2.433	645.85	637.20	98.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.583	0.581	7,691	7,562	
2023	16,265	1.613	2.433	697.52	688.17	98.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.557	6,344	6,238	
2024	12,960	1.613	2.433	753.32	743.23	98.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.534	5,234	5,146	
2025	10,326	1.613	2.433	813.59	802.68	98.7%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.512	4,317	4,245	
Total Historical	182,476			APV	APV		Total Historical								25,330	13,192	52.08%
Total Future	1,735,146			207.51	167.73	80.83%	Total Future								360,064	291,034	80.83%
Total Lifetime	1,917,622			200.98	158.65	78.94%	Total Lifetime								385,395	304,226	78.94%
2009 Jan-Aug	121,116	0.940	0.758	138.41	70.98	51.3%							2009 Jan-Aug		17,005	8,644	
2009 Sep-Dec	84,086	0.951	0.806	149.23	86.71	58.1%							2009 Sep-Dec		12,479	7,237	
2009 Total	205,202	0.945	0.778	142.84	77.43	54.2%							2009 Total		29,484	15,881	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Scenario 5

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discnt Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	642,980			152.50	107.11	70.2%				1.085			1.173	1.176	115,009	80,966	
2008	178,488	1.187	1.303	196.00	116.22	59.3%	1.285						1.052	1.049	36,806	21,765	
2009	182,608	1.225	1.366	200.17	150.37	75.1%	1.021	1.032	0.990	1.294	1.048	1.235	1.009	1.005	36,889	27,588	
2010	144,617	1.265	1.443	212.77	171.60	80.7%	1.063	1.032	1.030	1.141	1.057	1.080	0.968	0.965	29,789	23,959	
2011	101,279	1.328	1.558	238.37	206.15	86.5%	1.120	1.050	1.067	1.201	1.080	1.113	0.928	0.926	22,409	19,333	
2012	69,558	1.394	1.674	269.83	238.68	88.5%	1.132	1.050	1.078	1.158	1.075	1.077	0.890	0.888	16,700	14,737	
2013	48,512	1.450	1.772	302.69	272.73	90.1%	1.122	1.040	1.079	1.143	1.058	1.080	0.853	0.851	12,525	11,259	
2014	34,111	1.496	1.855	337.30	308.71	91.5%	1.114	1.032	1.080	1.132	1.047	1.081	0.818	0.816	9,409	8,591	
2015	24,142	1.533	1.919	373.39	345.65	92.6%	1.107	1.025	1.080	1.120	1.035	1.082	0.784	0.782	7,067	6,527	
2016	17,216	1.559	1.964	410.53	382.80	93.2%	1.099	1.017	1.081	1.107	1.023	1.083	0.752	0.750	5,312	4,941	
2017	12,320	1.576	1.991	448.35	420.09	93.7%	1.092	1.010	1.081	1.097	1.014	1.082	0.721	0.719	3,980	3,720	
2018	8,821	1.585	2.008	487.44	458.28	94.0%	1.087	1.006	1.081	1.091	1.009	1.082	0.691	0.689	2,970	2,786	
2019	6,316	1.592	2.020	528.97	498.45	94.2%	1.085	1.004	1.080	1.088	1.006	1.081	0.662	0.661	2,213	2,080	
2020	4,522	1.597	2.028	573.01	540.54	94.3%	1.083	1.003	1.080	1.084	1.004	1.081	0.635	0.633	1,645	1,548	
2021	3,238	1.598	2.029	619.32	584.38	94.4%	1.081	1.001	1.080	1.081	1.001	1.080	0.609	0.607	1,221	1,149	
2022	2,318	1.598	2.029	668.87	631.14	94.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	905	852	
2023	1,660	1.598	2.029	722.38	681.63	94.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	671	632	
2024	1,189	1.598	2.029	780.18	736.16	94.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	497	468	
2025	851	1.598	2.029	842.59	795.05	94.4%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	369	347	
Total Historical	945,349			APV	APV		Total Historical						Total Historical		176,963	121,110	68.44%
Total Future	539,398			239.94	207.89	86.64%	Total Future						Total Future		129,422	112,137	86.64%
Total Lifetime	1,484,747			206.35	157.10	76.13%	Total Lifetime						Total Lifetime		306,385	233,247	76.13%
2009 Jan-Aug	123,881	1.222	1.358	199.80	146.79	73.5%							2009 Jan-Aug		25,149	18,379	
2009 Sep-Dec	58,727	1.233	1.381	200.94	157.92	78.6%							2009 Sep-Dec		11,740	9,209	
2009 Total	182,608	1.225	1.366	200.17	150.37	75.1%							2009 Total		36,889	27,588	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix J-5 Scenario 5

Analysis of Lifetime Loss Ratios

Premium and Claim Increases By Year

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Scenario 5

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Annual Prem PMPM	Annual Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	1,782,611			133.58	97.71	73.2%							1.129	1.132	268,912	197,215	
2008	922,591	1.053	1.054	166.43	115.18	69.2%	1.246			1.179			1.053	1.050	161,611	111,594	
2009	753,356	1.090	1.123	194.74	139.49	71.6%	1.170	1.035	1.130	1.211	1.065	1.137	1.009	1.005	148,062	105,601	
2010	563,580	1.139	1.220	246.64	173.47	70.3%	1.267	1.045	1.211	1.244	1.087	1.144	0.968	0.966	134,487	94,431	
2011	401,917	1.202	1.336	289.66	211.43	73.0%	1.174	1.055	1.113	1.219	1.095	1.113	0.928	0.926	108,064	78,724	
2012	268,883	1.287	1.487	334.07	253.20	75.8%	1.153	1.070	1.077	1.198	1.113	1.076	0.890	0.888	79,924	60,462	
2013	184,299	1.363	1.622	381.66	297.91	78.1%	1.142	1.060	1.078	1.177	1.091	1.078	0.853	0.851	59,998	46,745	
2014	128,436	1.432	1.744	432.49	346.01	80.0%	1.133	1.050	1.079	1.161	1.075	1.080	0.818	0.816	45,424	36,274	
2015	90,481	1.491	1.848	486.74	396.64	81.5%	1.125	1.042	1.080	1.146	1.060	1.082	0.784	0.783	34,527	28,084	
2016	64,324	1.535	1.922	541.26	446.37	82.5%	1.112	1.029	1.081	1.125	1.040	1.082	0.752	0.750	26,166	21,540	
2017	45,993	1.562	1.969	595.58	494.77	83.1%	1.100	1.018	1.081	1.108	1.024	1.082	0.721	0.719	19,736	16,366	
2018	32,931	1.579	1.998	650.71	543.21	83.5%	1.093	1.011	1.081	1.098	1.015	1.082	0.691	0.690	14,802	12,335	
2019	23,578	1.589	2.016	707.57	592.44	83.7%	1.087	1.006	1.081	1.091	1.009	1.081	0.662	0.661	11,049	9,234	
2020	16,882	1.595	2.025	767.17	643.24	83.8%	1.084	1.004	1.080	1.086	1.005	1.081	0.635	0.634	8,222	6,882	
2021	12,088	1.598	2.029	830.00	696.31	83.9%	1.082	1.002	1.080	1.083	1.002	1.080	0.609	0.608	6,106	5,114	
2022	8,655	1.598	2.029	896.42	752.03	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	4,527	3,791	
2023	6,197	1.598	2.029	968.14	812.20	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	3,356	2,811	
2024	4,437	1.598	2.029	1045.59	877.17	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	2,488	2,083	
2025	3,177	1.598	2.029	1129.23	947.35	83.9%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	1,844	1,544	
Total Historical	3,226,415			APV	APV		Total Historical						Total Historical		531,740	379,977	71.46%
Total Future	2,087,998			290.98	220.71	75.85%							Total Future		607,566	460,852	75.85%
Total Lifetime	5,314,414			214.38	158.22	73.80%							Total Lifetime		1,139,307	840,830	73.80%
2009 Jan-Aug	521,213	1.083	1.109	191.13	135.09	70.7%							2009 Jan-Aug		101,218	71,168	
2009 Sep-Dec	232,143	1.104	1.153	202.83	149.36	73.6%							2009 Sep-Dec		46,844	34,433	
2009 Total	753,356	1.090	1.123	194.74	139.49	71.6%							2009 Total		148,062	105,601	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Scenario 5

Analysis of Lifetime Loss Ratio (LLR)
Roll-Up of Monthly Projections to Totals by Year

	Mbr Months	Relative Prem Index	Relative Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Increase Over Prior Year (shown as Ratio)						Discont Factor (to Sept-09)		APV of Annual Amounts (\$000s)		L.R. (APV Basis)
							Premium PMPM			Claims PMPM			Prem	Clms	Premium	Claims	
							Total	Index	Other	Total	Index	Other					
Pre 2008	764,405			128.78	102.96	80.0%							1.112	1.112	109,421	87,553	
2008	668,355	1.008	0.969	149.07	94.99	63.7%	1.158			0.923			1.053	1.051	104,909	66,717	
2009	518,933	1.040	1.029	157.57	108.03	68.6%	1.057	1.033	1.024	1.137	1.062	1.071	1.009	1.004	82,531	56,282	
2010	486,678	1.057	1.048	182.53	121.76	66.7%	1.158	1.016	1.140	1.127	1.019	1.106	0.967	0.965	85,879	57,172	
2011	399,608	1.089	1.132	210.70	144.54	68.6%	1.154	1.030	1.120	1.187	1.080	1.099	0.928	0.926	78,168	53,494	
2012	255,569	1.165	1.275	243.09	174.78	71.9%	1.154	1.070	1.078	1.209	1.127	1.073	0.890	0.888	55,284	39,660	
2013	169,643	1.249	1.417	280.62	208.72	74.4%	1.154	1.072	1.077	1.194	1.111	1.075	0.853	0.851	40,609	30,137	
2014	115,750	1.328	1.559	321.36	247.00	76.9%	1.145	1.063	1.077	1.183	1.100	1.075	0.818	0.816	30,419	23,328	
2015	79,938	1.404	1.698	365.87	289.47	79.1%	1.139	1.058	1.077	1.172	1.089	1.076	0.784	0.782	22,929	18,101	
2016	56,014	1.472	1.817	413.09	333.57	80.8%	1.129	1.048	1.077	1.152	1.070	1.077	0.752	0.750	17,390	14,012	
2017	39,933	1.525	1.904	460.97	376.67	81.7%	1.116	1.036	1.077	1.129	1.048	1.078	0.720	0.719	13,263	10,814	
2018	28,592	1.558	1.960	507.42	418.01	82.4%	1.101	1.021	1.078	1.110	1.029	1.078	0.691	0.689	10,022	8,238	
2019	20,472	1.574	1.991	553.39	458.29	82.8%	1.091	1.011	1.079	1.096	1.016	1.079	0.662	0.661	7,503	6,200	
2020	14,658	1.589	2.016	602.81	500.80	83.1%	1.089	1.010	1.079	1.093	1.012	1.079	0.635	0.633	5,609	4,650	
2021	10,495	1.598	2.029	654.10	544.19	83.2%	1.085	1.005	1.079	1.087	1.007	1.080	0.609	0.607	4,178	3,469	
2022	7,514	1.598	2.029	706.47	587.77	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	3,098	2,572	
2023	5,380	1.598	2.029	762.99	634.79	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	2,296	1,907	
2024	3,852	1.598	2.029	824.03	685.57	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	1,702	1,413	
2025	2,758	1.598	2.029	889.95	740.42	83.2%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	1,262	1,048	
Total Historical	1,784,959			APV	APV		Note - here the Total represents Med+Dent; however, the Index factor is applicable to Med-only. The LLR model projections reflects this distinction; however, the above Incr attributed to "Other" factors (i.e., excl Index factor) has not been adjusted here to reflect this (shown here for informational purposes only).						Total Historical		270,472	191,822	70.92%
Total Future	1,863,588			217.86	158.27	72.65%							Total Future		405,999	294,945	72.65%
Total Lifetime	3,648,548			185.41	133.41	71.96%							Total Lifetime		676,471	486,766	71.96%
2009 Jan-Aug	352,199	1.037	1.026	156.85	105.61	67.3%							2009 Jan-Aug		56,142	37,552	
2009 Sep-Dec	166,733	1.048	1.034	159.10	113.13	71.1%							2009 Sep-Dec		26,390	18,730	
2009 Total	518,933	1.040	1.029	157.57	108.03	68.6%							2009 Total		82,531	56,282	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

This report has been prepared for the exclusive use of the California Department of Insurance and we have provided it only to them. This report includes material and references to material that has been labeled "confidential/trade secret" information by Anthem when initially submitted to the California Department of Insurance. It is critical that this report be reviewed in its entirety to assure that no conclusion or assessment is taken out of context.

Appendix K

Verification of Independence of Valuation Date on Lifetime Loss Ratio

Verification of Independence of Valuation Date on LLR
(Testing APV Amounts Discounted to Alternate Valuation Date)
Sample Plan: Smart Sense

Orig Discnt Date (Val Date) of 9/1/09

SmartS Scenario 1	Relative Relative					Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)	
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium		Claims
Pre 2008	745			109.69	62.02	56.5%				1.111			1.077	1.077	88	50	
2008	686,208	0.951	0.784	111.31	68.93	61.9%	1.015			1.111			1.045	1.044	79,810	49,387	
2009	1,781,560	0.968	0.883	126.25	89.24	70.7%	1.134	1.018	1.115	1.295	1.127	1.149	1.007	1.003	226,393	159,461	
2010	2,130,060	0.988	0.940	162.88	112.16	68.9%	1.290	1.021	1.264	1.257	1.065	1.180	0.967	0.967	335,329	230,913	
2011	1,754,268	1.022	1.019	194.44	136.45	70.2%	1.194	1.034	1.154	1.217	1.083	1.123	0.929	0.928	316,711	222,190	
2012	1,099,797	1.080	1.121	220.83	162.12	73.4%	1.136	1.057	1.074	1.188	1.100	1.080	0.890	0.890	216,142	158,653	
2013	714,070	1.151	1.255	253.31	196.08	77.4%	1.147	1.065	1.077	1.209	1.119	1.080	0.853	0.853	154,311	119,417	
2014	472,782	1.233	1.437	292.13	242.54	83.0%	1.153	1.071	1.077	1.237	1.145	1.080	0.818	0.818	112,954	93,752	
2015	319,475	1.329	1.636	339.57	298.34	87.9%	1.162	1.078	1.078	1.230	1.139	1.080	0.784	0.784	85,047	74,709	
2016	222,206	1.420	1.784	394.17	351.18	89.1%	1.161	1.069	1.086	1.177	1.090	1.080	0.751	0.751	65,819	58,641	
2017	158,254	1.487	1.858	449.89	395.04	87.8%	1.141	1.047	1.090	1.125	1.042	1.080	0.720	0.720	51,293	45,042	
2018	113,310	1.531	1.923	503.58	441.48	87.7%	1.119	1.030	1.087	1.118	1.035	1.080	0.691	0.691	39,413	34,549	
2019	81,130	1.564	2.034	557.22	504.48	90.5%	1.107	1.021	1.083	1.143	1.058	1.080	0.662	0.662	29,937	27,100	
2020	58,089	1.587	2.140	612.73	573.25	93.6%	1.100	1.015	1.083	1.136	1.052	1.080	0.635	0.635	22,596	21,137	
2021	41,592	1.598	2.201	668.76	636.61	95.2%	1.091	1.007	1.084	1.111	1.029	1.080	0.609	0.609	16,929	16,115	
2022	29,780	1.598	2.202	723.77	687.76	95.0%	1.082	1.000	1.082	1.080	1.000	1.080	0.584	0.583	12,577	11,951	
2023	21,322	1.598	2.202	781.68	742.78	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	9,324	8,860	
2024	15,267	1.598	2.202	844.21	802.21	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	6,912	6,568	
2025	10,931	1.598	2.202	911.75	866.38	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	5,124	4,869	
Total Historical	1,791,266			APV	APV								Total Historical		214,933	141,309	65.75%
Total Future	7,919,582			198.47	151.78	76.48%							Total Future		1,571,776	1,202,054	76.48%
Total Lifetime	9,710,847			183.99	138.34	75.19%							Total Lifetime		1,786,709	1,343,363	75.19%
2009 Jan-Aug	1,104,312	0.965	0.871	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,873	
2009 Sep-Dec	677,248	0.972	0.903	135.63	100.36	74.0%							2009 Sep-Dec		91,359	67,589	
2009 Total	1,781,560	0.968	0.883	126.25	89.24	70.7%							2009 Total		226,393	159,461	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Discount Date Changed to 9/1/2019

SmartS Scenario 1	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%				1.111			1.642	1.642	134	76	
2008	686,208	0.951	0.784	111.31	68.93	61.9%	1.015			1.111			1.593	1.592	121,701	75,309	
2009	1,781,560	0.968	0.883	126.25	89.24	70.7%	1.134	1.018	1.115	1.295	1.127	1.149	1.535	1.529	345,222	243,159	
2010	2,130,060	0.988	0.940	162.88	112.16	68.9%	1.290	1.021	1.264	1.257	1.065	1.180	1.474	1.474	511,335	352,113	
2011	1,754,268	1.022	1.019	194.44	136.45	70.2%	1.194	1.034	1.154	1.217	1.083	1.123	1.416	1.415	482,945	338,812	
2012	1,099,797	1.080	1.121	220.83	162.12	73.4%	1.136	1.057	1.074	1.188	1.100	1.080	1.357	1.357	329,589	241,926	
2013	714,070	1.151	1.255	253.31	196.08	77.4%	1.147	1.065	1.077	1.209	1.119	1.080	1.301	1.301	235,305	182,096	
2014	472,782	1.233	1.437	292.13	242.54	83.0%	1.153	1.071	1.077	1.237	1.145	1.080	1.247	1.247	172,240	142,960	
2015	319,475	1.329	1.636	339.57	298.34	87.9%	1.162	1.078	1.078	1.230	1.139	1.080	1.195	1.195	129,685	113,922	
2016	222,206	1.420	1.784	394.17	351.18	89.1%	1.161	1.069	1.086	1.177	1.090	1.080	1.146	1.146	100,366	89,421	
2017	158,254	1.487	1.858	449.89	395.04	87.8%	1.141	1.047	1.090	1.125	1.042	1.080	1.099	1.099	78,216	68,683	
2018	113,310	1.531	1.923	503.58	441.48	87.7%	1.119	1.030	1.087	1.118	1.035	1.080	1.053	1.053	60,100	52,684	
2019	81,130	1.564	2.034	557.22	504.48	90.5%	1.107	1.021	1.083	1.143	1.058	1.080	1.010	1.010	45,651	41,324	
2020	58,089	1.587	2.140	612.73	573.25	93.6%	1.100	1.015	1.083	1.136	1.052	1.080	0.968	0.968	34,455	32,231	
2021	41,592	1.598	2.201	668.76	636.61	95.2%	1.091	1.007	1.084	1.111	1.029	1.080	0.928	0.928	25,814	24,573	
2022	29,780	1.598	2.202	723.77	687.76	95.0%	1.082	1.000	1.082	1.080	1.000	1.080	0.890	0.890	19,178	18,223	
2023	21,322	1.598	2.202	781.68	742.78	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.853	0.853	14,218	13,510	
2024	15,267	1.598	2.202	844.21	802.21	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.818	0.818	10,539	10,015	
2025	10,931	1.598	2.202	911.75	866.38	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.784	0.784	7,813	7,424	
Total Historical	1,791,266			APV	APV								Total Historical		327,746	215,479	65.75%
Total Future	7,919,582			302.64	231.45	76.48%							Total Future		2,396,763	1,832,982	76.48%
Total Lifetime	9,710,847			280.56	210.95	75.19%							Total Lifetime		2,724,508	2,048,461	75.19%
2009 Jan-Aug	1,104,312	0.965	0.871	120.49	82.41	68.4%							2009 Jan-Aug		205,910	140,094	
2009 Sep-Dec	677,248	0.972	0.903	135.63	100.36	74.0%							2009 Sep-Dec		139,311	103,065	
2009 Total	1,781,560	0.968	0.883	126.25	89.24	70.7%							2009 Total		345,222	243,159	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix K

Verification of Independence of Valuation Date on Lifetime Loss Ratio

Verification of Independence of Valuation Date on LLR
(Testing APV Amounts Discounted to Alternate Valuation Date)
Sample Plan: Smart Sense

Orig Discnt Date (Val Date) of 9/1/09

SmartS

Scenario 2

Scenario 2	Relative Relative						Increase Over Prior Year (shown as Ratio)				Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)		
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM		Claims PMPM		(to Sept-09)		(\$000s)				
							Total	Index	Other	Total	Index	Other	Prem	Clms		Premium	Claims
Pre 2008	745			109.69	62.02	56.5%					1.077	1.075	88	50			
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015			1.111			1.045	1.042	79,810	49,300	
2009	1,781,560	0.968	0.859	126.44	86.09	68.1%	1.136	1.018	1.116	1.249	1.141	1.095	1.007	1.002	226,731	153,619	
2010	2,130,060	0.988	0.924	163.23	101.83	62.4%	1.291	1.021	1.265	1.183	1.076	1.099	0.966	0.964	336,025	209,193	
2011	1,754,268	1.022	1.009	194.05	122.87	63.3%	1.189	1.034	1.149	1.207	1.092	1.105	0.928	0.926	316,061	199,626	
2012	1,099,797	1.080	1.117	221.81	146.93	66.2%	1.143	1.057	1.081	1.196	1.107	1.080	0.890	0.888	217,098	143,472	
2013	714,070	1.151	1.242	255.24	176.44	69.1%	1.151	1.065	1.080	1.201	1.111	1.081	0.853	0.851	155,487	107,221	
2014	472,782	1.233	1.398	295.33	214.58	72.7%	1.157	1.071	1.080	1.216	1.126	1.080	0.818	0.816	114,188	82,767	
2015	319,475	1.329	1.571	343.92	260.56	75.8%	1.165	1.078	1.080	1.214	1.124	1.080	0.784	0.782	86,136	65,104	
2016	222,206	1.420	1.726	396.95	309.16	77.9%	1.154	1.069	1.080	1.187	1.099	1.080	0.751	0.750	66,285	51,506	
2017	158,254	1.487	1.837	448.70	355.35	79.2%	1.130	1.047	1.080	1.149	1.065	1.080	0.720	0.719	51,159	40,423	
2018	113,310	1.531	1.916	499.05	400.10	80.2%	1.112	1.030	1.080	1.126	1.043	1.080	0.691	0.689	39,060	31,244	
2019	81,130	1.564	1.974	550.47	445.14	80.9%	1.103	1.021	1.080	1.113	1.030	1.080	0.662	0.661	29,575	23,862	
2020	58,089	1.587	2.012	603.37	490.02	81.2%	1.096	1.015	1.080	1.101	1.019	1.080	0.635	0.633	22,251	18,030	
2021	41,592	1.598	2.029	655.91	533.50	81.3%	1.087	1.007	1.080	1.089	1.008	1.080	0.609	0.607	16,604	13,475	
2022	29,780	1.598	2.029	708.44	576.24	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	12,310	9,991	
2023	21,322	1.598	2.029	765.11	622.33	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	9,126	7,407	
2024	15,267	1.598	2.029	826.32	672.12	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	6,765	5,490	
2025	10,931	1.598	2.029	892.43	725.89	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	5,015	4,070	
Total Historical	1,791,266			APV	APV								Total Historical		214,933	141,061	65.63%
Total Future	7,919,582			198.85	135.71	68.25%							Total Future		1,574,841	1,074,790	68.25%
Total Lifetime	9,710,847			184.31	125.21	67.93%							Total Lifetime		1,789,774	1,215,851	67.93%
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,711	
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.07	67.6%							2009 Sep-Dec		91,696	61,908	
2009 Total	1,781,560	0.968	0.859	126.44	86.09	68.1%							2009 Total		226,731	153,619	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Discount Date Changed to 9/1/2019

SmartS

Scenario 2

Scenario 2	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%	1.015			1.111			1.642	1.639	134	76	
2008	686,208	0.951	0.753	111.31	68.93	61.9%							1.593	1.589	121,701	75,177	
2009	1,781,560	0.968	0.859	126.44	86.09	68.1%	1.136	1.018	1.116	1.249	1.141	1.095	1.535	1.527	345,736	234,251	
2010	2,130,060	0.988	0.924	163.23	101.83	62.4%	1.291	1.021	1.265	1.183	1.076	1.099	1.474	1.471	512,396	318,993	
2011	1,754,268	1.022	1.009	194.05	122.87	63.3%	1.189	1.034	1.149	1.207	1.092	1.105	1.416	1.412	481,954	304,405	
2012	1,099,797	1.080	1.117	221.81	146.93	66.2%	1.143	1.057	1.081	1.196	1.107	1.080	1.357	1.354	331,048	218,777	
2013	714,070	1.151	1.242	255.24	176.44	69.1%	1.151	1.065	1.080	1.201	1.111	1.081	1.301	1.298	237,099	163,499	
2014	472,782	1.233	1.398	295.33	214.58	72.7%	1.157	1.071	1.080	1.216	1.126	1.080	1.247	1.244	174,122	126,209	
2015	319,475	1.329	1.571	343.92	260.56	75.8%	1.165	1.078	1.080	1.214	1.124	1.080	1.195	1.193	131,346	99,276	
2016	222,206	1.420	1.726	396.95	309.16	77.9%	1.154	1.069	1.080	1.187	1.099	1.080	1.146	1.143	101,076	78,540	
2017	158,254	1.487	1.837	448.70	355.35	79.2%	1.130	1.047	1.080	1.149	1.065	1.080	1.099	1.096	78,010	61,641	
2018	113,310	1.531	1.916	499.05	400.10	80.2%	1.112	1.030	1.080	1.126	1.043	1.080	1.053	1.051	59,561	47,643	
2019	81,130	1.564	1.974	550.47	445.14	80.9%	1.103	1.021	1.080	1.113	1.030	1.080	1.010	1.008	45,098	36,387	
2020	58,089	1.587	2.012	603.37	490.02	81.2%	1.096	1.015	1.080	1.101	1.019	1.080	0.968	0.966	33,930	27,494	
2021	41,592	1.598	2.029	655.91	533.50	81.3%	1.087	1.007	1.080	1.089	1.008	1.080	0.928	0.926	25,319	20,548	
2022	29,780	1.598	2.029	708.44	576.24	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.890	0.888	18,772	15,235	
2023	21,322	1.598	2.029	765.11	622.33	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.853	0.851	13,916	11,294	
2024	15,267	1.598	2.029	826.32	672.12	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.818	0.816	10,316	8,372	
2025	10,931	1.598	2.029	892.43	725.89	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.784	0.782	7,648	6,207	
Total Historical	1,791,266			APV	APV								Total Historical		327,746	215,100	65.63%
Total Future	7,919,582			303.23	206.95	68.25%							Total Future		2,401,436	1,638,921	68.25%
Total Lifetime	9,710,847			281.04	190.92	67.93%							Total Lifetime		2,729,182	1,854,022	67.93%
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%							2009 Jan-Aug		205,910	139,848	
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.07	67.6%							2009 Sep-Dec		139,826	94,402	
2009 Total	1,781,560	0.968	0.859	126.44	86.09	68.1%							2009 Total		345,736	234,251	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix L

Impact Of Alternate Future Trend Assumptions

Orig Assumption of 8% / 8% in Yrs 2011+

(Prem: starting 3/1/11, Clms: starting 1/1/11)

Sample Plan: Smart Sense

SmartS Scenario 1	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)	
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)			
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims		
Pre 2008	745			109.69	62.02	56.5%							1.077	1.077	88	50		
2008	686,208	0.951	0.784	111.31	68.93	61.9%	1.015			1.111			1.045	1.044	79,810	49,387		
2009	1,781,560	0.968	0.883	126.25	89.24	70.7%	1.134	1.018	1.115	1.295	1.127	1.149	1.007	1.003	226,393	159,461		
2010	2,130,060	0.988	0.940	162.88	112.16	68.9%	1.290	1.021	1.264	1.257	1.065	1.180	0.967	0.967	335,329	230,913		
2011	1,754,268	1.022	1.019	194.44	136.45	70.2%	1.194	1.034	1.154	1.217	1.083	1.123	0.929	0.928	316,711	222,190		
2012	1,099,797	1.080	1.121	220.83	162.12	73.4%	1.136	1.057	1.074	1.188	1.100	1.080	0.890	0.890	216,142	158,653		
2013	714,070	1.151	1.255	253.31	196.08	77.4%	1.147	1.065	1.077	1.209	1.119	1.080	0.853	0.853	154,311	119,417		
2014	472,782	1.233	1.437	292.13	242.54	83.0%	1.153	1.071	1.077	1.237	1.145	1.080	0.818	0.818	112,954	93,752		
2015	319,475	1.329	1.636	339.57	298.34	87.9%	1.162	1.078	1.078	1.230	1.139	1.080	0.784	0.784	85,047	74,709		
2016	222,206	1.420	1.784	394.17	351.18	89.1%	1.161	1.069	1.086	1.177	1.090	1.080	0.751	0.751	65,819	58,641		
2017	158,254	1.487	1.858	449.89	395.04	87.8%	1.141	1.047	1.090	1.125	1.042	1.080	0.720	0.720	51,293	45,042		
2018	113,310	1.531	1.923	503.58	441.48	87.7%	1.119	1.030	1.087	1.118	1.035	1.080	0.691	0.691	39,413	34,549		
2019	81,130	1.564	2.034	557.22	504.48	90.5%	1.107	1.021	1.083	1.143	1.058	1.080	0.662	0.662	29,937	27,100		
2020	58,089	1.587	2.140	612.73	573.25	93.6%	1.100	1.015	1.083	1.136	1.052	1.080	0.635	0.635	22,596	21,137		
2021	41,592	1.598	2.201	668.76	636.61	95.2%	1.091	1.007	1.084	1.111	1.029	1.080	0.609	0.609	16,929	16,115		
2022	29,780	1.598	2.202	723.77	687.76	95.0%	1.082	1.000	1.082	1.080	1.000	1.080	0.584	0.583	12,577	11,951		
2023	21,322	1.598	2.202	781.68	742.78	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	9,324	8,860		
2024	15,267	1.598	2.202	844.21	802.21	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	6,912	6,568		
2025	10,931	1.598	2.202	911.75	866.38	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	5,124	4,869		
Total Historical	1,791,266			APV	APV								Total Historical		214,933	141,309	65.75%	
Total Future	7,919,582			198.47	151.78	76.48%							Total Future		1,571,776	1,202,054		76.48%
Total Lifetime	9,710,847			183.99	138.34	75.19%							Total Lifetime		1,786,709	1,343,363		75.19%
2009 Jan-Aug	1,104,312	0.965	0.871	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,873		
2009 Sep-Dec	677,248	0.972	0.903	135.63	100.36	74.0%							2009 Sep-Dec		91,359	67,589		
2009 Total	1,781,560	0.968	0.883	126.25	89.24	70.7%							2009 Total		226,393	159,461		

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

0% Prem & Clms Trend in 2011+ (Prem: starting 3/1/11, Clms: starting 1/1/11)

SmartS Scenario 1	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%							1.077	1.077	88	50	
2008	686,208	0.951	0.784	111.31	68.93	61.9%	1.015			1.111			1.045	1.044	79,810	49,387	
2009	1,781,560	0.968	0.883	126.25	89.24	70.7%	1.134	1.018	1.115	1.295	1.127	1.149	1.007	1.003	226,393	159,461	
2010	2,130,060	0.988	0.940	162.88	112.16	68.9%	1.290	1.021	1.264	1.257	1.065	1.180	0.967	0.967	335,329	230,913	
2011	1,754,268	1.022	1.019	189.15	131.14	69.3%	1.161	1.034	1.123	1.169	1.083	1.079	0.929	0.928	308,179	213,600	
2012	1,099,797	1.080	1.121	199.05	144.27	72.5%	1.052	1.057	0.995	1.100	1.100	1.000	0.890	0.890	194,875	141,220	
2013	714,070	1.151	1.255	211.37	161.50	76.4%	1.062	1.065	0.997	1.119	1.119	1.000	0.853	0.853	128,795	98,387	
2014	472,782	1.233	1.437	225.68	184.94	81.9%	1.068	1.071	0.997	1.145	1.145	1.000	0.818	0.818	87,283	71,505	
2015	319,475	1.329	1.636	242.85	210.64	86.7%	1.076	1.078	0.998	1.139	1.139	1.000	0.784	0.784	60,838	52,762	
2016	222,206	1.420	1.784	260.99	229.62	88.0%	1.075	1.069	1.006	1.090	1.090	1.000	0.752	0.752	43,591	38,353	
2017	158,254	1.487	1.858	275.83	239.20	86.7%	1.057	1.047	1.010	1.042	1.042	1.000	0.721	0.721	31,455	27,280	
2018	113,310	1.531	1.923	285.90	247.47	86.6%	1.037	1.030	1.006	1.035	1.035	1.000	0.691	0.691	22,382	19,372	
2019	81,130	1.564	2.034	292.93	261.82	89.4%	1.025	1.021	1.003	1.058	1.058	1.000	0.662	0.662	15,742	14,068	
2020	58,089	1.587	2.140	298.26	275.50	92.4%	1.018	1.015	1.003	1.052	1.052	1.000	0.635	0.635	11,002	10,161	
2021	41,592	1.598	2.201	301.43	283.36	94.0%	1.011	1.007	1.004	1.029	1.029	1.000	0.609	0.609	7,632	7,175	
2022	29,780	1.598	2.202	302.08	283.46	93.8%	1.002	1.000	1.002	1.000	1.000	1.000	0.584	0.584	5,250	4,927	
2023	21,322	1.598	2.202	302.08	283.46	93.8%	1.000	1.000	1.000	1.000	1.000	1.000	0.560	0.560	3,604	3,382	
2024	15,267	1.598	2.202	302.08	283.46	93.8%	1.000	1.000	1.000	1.000	1.000	1.000	0.536	0.536	2,474	2,321	
2025	10,931	1.598	2.202	302.08	283.46	93.8%	1.000	1.000	1.000	1.000	1.000	1.000	0.514	0.514	1,698	1,593	
Total Historical	1,791,266			APV	APV		Total Historical						Total Historical		214,933	141,309	65.75%
Total Future	7,919,582			170.65	126.85	74.33%	Total Future						Total Future		1,351,488	1,004,608	74.33%
Total Lifetime	9,710,847			161.31	118.00	73.16%	Total Lifetime						Total Lifetime		1,566,420	1,145,917	73.16%
2009 Jan-Aug	1,104,312	0.965	0.871	120.49	82.41	68.4%							2009 Jan-Aug		135,034		91,873
2009 Sep-Dec	677,248	0.972	0.903	135.63	100.36	74.0%							2009 Sep-Dec		91,359		67,589
2009 Total	1,781,560	0.968	0.883	126.25	89.24	70.7%							2009 Total		226,393		159,461

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix L

Impact Of Alternate Future Trend Assumptions

Orig Assumption of 8% / 8% in Yrs 2011+

(Prem: starting 3/1/11, Clms: starting 1/1/11)

Sample Plan: Smart Sense

SmartS Scenario 2	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%							1.077	1.075	88	50	
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015			1.111			1.045	1.042	79,810	49,300	
2009	1,781,560	0.968	0.859	126.44	86.09	68.1%	1.136	1.018	1.116	1.249	1.141	1.095	1.007	1.002	226,731	153,619	
2010	2,130,060	0.988	0.924	163.23	101.83	62.4%	1.291	1.021	1.265	1.183	1.076	1.099	0.966	0.964	336,025	209,193	
2011	1,754,268	1.022	1.009	194.05	122.87	63.3%	1.189	1.034	1.149	1.207	1.092	1.105	0.928	0.926	316,061	199,626	
2012	1,099,797	1.080	1.117	221.81	146.93	66.2%	1.143	1.057	1.081	1.196	1.107	1.080	0.890	0.888	217,098	143,472	
2013	714,070	1.151	1.242	255.24	176.44	69.1%	1.151	1.065	1.080	1.201	1.111	1.081	0.853	0.851	155,487	107,221	
2014	472,782	1.233	1.398	295.33	214.58	72.7%	1.157	1.071	1.080	1.216	1.126	1.080	0.818	0.816	114,188	82,767	
2015	319,475	1.329	1.571	343.92	260.56	75.8%	1.165	1.078	1.080	1.214	1.124	1.080	0.784	0.782	86,136	65,104	
2016	222,206	1.420	1.726	396.95	309.16	77.9%	1.154	1.069	1.080	1.187	1.099	1.080	0.751	0.750	66,285	51,506	
2017	158,254	1.487	1.837	448.70	355.35	79.2%	1.130	1.047	1.080	1.149	1.065	1.080	0.720	0.719	51,159	40,423	
2018	113,310	1.531	1.916	499.05	400.10	80.2%	1.112	1.030	1.080	1.126	1.043	1.080	0.691	0.689	39,060	31,244	
2019	81,130	1.564	1.974	550.47	445.14	80.9%	1.103	1.021	1.080	1.113	1.030	1.080	0.662	0.661	29,575	23,862	
2020	58,089	1.587	2.012	603.37	490.02	81.2%	1.096	1.015	1.080	1.101	1.019	1.080	0.635	0.633	22,251	18,030	
2021	41,592	1.598	2.029	655.91	533.50	81.3%	1.087	1.007	1.080	1.089	1.008	1.080	0.609	0.607	16,604	13,475	
2022	29,780	1.598	2.029	708.44	576.24	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	12,310	9,991	
2023	21,322	1.598	2.029	765.11	622.33	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	9,126	7,407	
2024	15,267	1.598	2.029	826.32	672.12	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	6,765	5,490	
2025	10,931	1.598	2.029	892.43	725.89	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	5,015	4,070	
Total Historical	1,791,266			APV	APV		Total Historical						214,933		141,061	65.63%	
Total Future	7,919,582			198.85	135.71	68.25%	Total Future						1,574,841		1,074,790	68.25%	
Total Lifetime	9,710,847			184.31	125.21	67.93%	Total Lifetime						1,789,774		1,215,851	67.93%	
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%	2009 Jan-Aug						135,034		91,711		
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.07	67.6%	2009 Sep-Dec						91,696		61,908		
2009 Total	1,781,560	0.968	0.859	126.44	86.09	68.1%	2009 Total						226,731		153,619		

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

0% Prem & Clms Trend in 2011+ (Prem: starting 3/1/11, Clms: starting 1/1/11)

SmartS Scenario 2	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%							1.077	1.075	88	50	
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015			1.111			1.045	1.042	79,810	49,300	
2009	1,781,560	0.968	0.859	126.44	86.09	68.1%	1.136	1.018	1.116	1.249	1.141	1.095	1.007	1.002	226,731	153,619	
2010	2,130,060	0.988	0.924	163.23	101.83	62.4%	1.291	1.021	1.265	1.183	1.076	1.099	0.966	0.964	336,025	209,193	
2011	1,754,268	1.022	1.009	189.38	117.98	62.3%	1.160	1.034	1.122	1.159	1.092	1.061	0.929	0.926	308,522	191,738	
2012	1,099,797	1.080	1.117	200.55	130.64	65.1%	1.059	1.057	1.002	1.107	1.107	1.000	0.890	0.888	196,338	127,605	
2013	714,070	1.151	1.242	213.64	145.22	68.0%	1.065	1.065	1.000	1.112	1.111	1.000	0.853	0.851	130,178	88,273	
2014	472,782	1.233	1.398	228.86	163.51	71.4%	1.071	1.071	1.000	1.126	1.126	1.000	0.818	0.816	88,507	63,084	
2015	319,475	1.329	1.571	246.72	183.82	74.5%	1.078	1.078	1.000	1.124	1.124	1.000	0.784	0.782	61,809	45,942	
2016	222,206	1.420	1.726	263.66	201.95	76.6%	1.069	1.069	1.000	1.099	1.099	1.000	0.752	0.750	44,038	33,655	
2017	158,254	1.487	1.837	275.97	214.95	77.9%	1.047	1.047	1.000	1.064	1.065	1.000	0.721	0.719	31,472	24,459	
2018	113,310	1.531	1.916	284.22	224.11	78.9%	1.030	1.030	1.000	1.043	1.043	1.000	0.691	0.689	22,251	17,506	
2019	81,130	1.564	1.974	290.29	230.89	79.5%	1.021	1.021	1.000	1.030	1.030	1.000	0.662	0.661	15,600	12,380	
2020	58,089	1.587	2.012	294.63	235.35	79.9%	1.015	1.015	1.000	1.019	1.019	1.000	0.635	0.634	10,868	8,662	
2021	41,592	1.598	2.029	296.58	237.28	80.0%	1.007	1.007	1.000	1.008	1.008	1.000	0.609	0.607	7,509	5,995	
2022	29,780	1.598	2.029	296.60	237.30	80.0%	1.000	1.000	1.000	1.000	1.000	1.000	0.584	0.582	5,155	4,115	
2023	21,322	1.598	2.029	296.60	237.30	80.0%	1.000	1.000	1.000	1.000	1.000	1.000	0.560	0.558	3,539	2,825	
2024	15,267	1.598	2.029	296.60	237.30	80.0%	1.000	1.000	1.000	1.000	1.000	1.000	0.536	0.535	2,429	1,939	
2025	10,931	1.598	2.029	296.60	237.30	80.0%	1.000	1.000	1.000	1.000	1.000	1.000	0.514	0.513	1,667	1,331	
Total Historical	1,791,266			APV	APV		Total Historical						Total Historical		214,933	141,061	65.63%
Total Future	7,919,582			171.42	113.72	66.34%	Total Future						Total Future		1,357,602	900,609	66.34%
Total Lifetime	9,710,847			161.94	107.27	66.24%	Total Lifetime						Total Lifetime		1,572,535	1,041,670	66.24%
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%	2009 Jan-Aug						2009 Jan-Aug		135,034	91,711	
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.07	67.6%	2009 Sep-Dec						2009 Sep-Dec		91,696	61,908	
2009 Total	1,781,560	0.968	0.859	126.44	86.09	68.1%	2009 Total						2009 Total		226,731	153,619	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix L

Impact Of Alternate Future Trend Assumptions

Orig Assumption of 8% / 8% in Yrs 2011+

(Prem: starting 3/1/11, Clms: starting 1/1/11)

Sample Plan: Smart Sense

SmartS Scenario 1	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%							1.077	1.077	88	50	
2008	686,208	0.951	0.784	111.31	68.93	61.9%	1.015			1.111			1.045	1.044	79,810	49,387	
2009	1,781,560	0.968	0.883	126.25	89.24	70.7%	1.134	1.018	1.115	1.295	1.127	1.149	1.007	1.003	226,393	159,461	
2010	2,130,060	0.988	0.940	162.88	112.16	68.9%	1.290	1.021	1.264	1.257	1.065	1.180	0.967	0.967	335,329	230,913	
2011	1,754,268	1.022	1.019	194.44	136.45	70.2%	1.194	1.034	1.154	1.217	1.083	1.123	0.929	0.928	316,711	222,190	
2012	1,099,797	1.080	1.121	220.83	162.12	73.4%	1.136	1.057	1.074	1.188	1.100	1.080	0.890	0.890	216,142	158,653	
2013	714,070	1.151	1.255	253.31	196.08	77.4%	1.147	1.065	1.077	1.209	1.119	1.080	0.853	0.853	154,311	119,417	
2014	472,782	1.233	1.437	292.13	242.54	83.0%	1.153	1.071	1.077	1.237	1.145	1.080	0.818	0.818	112,954	93,752	
2015	319,475	1.329	1.636	339.57	298.34	87.9%	1.162	1.078	1.078	1.230	1.139	1.080	0.784	0.784	85,047	74,709	
2016	222,206	1.420	1.784	394.17	351.18	89.1%	1.161	1.069	1.086	1.177	1.090	1.080	0.751	0.751	65,819	58,641	
2017	158,254	1.487	1.858	449.89	395.04	87.8%	1.141	1.047	1.090	1.125	1.042	1.080	0.720	0.720	51,293	45,042	
2018	113,310	1.531	1.923	503.58	441.48	87.7%	1.119	1.030	1.087	1.118	1.035	1.080	0.691	0.691	39,413	34,549	
2019	81,130	1.564	2.034	557.22	504.48	90.5%	1.107	1.021	1.083	1.143	1.058	1.080	0.662	0.662	29,937	27,100	
2020	58,089	1.587	2.140	612.73	573.25	93.6%	1.100	1.015	1.083	1.136	1.052	1.080	0.635	0.635	22,596	21,137	
2021	41,592	1.598	2.201	668.76	636.61	95.2%	1.091	1.007	1.084	1.111	1.029	1.080	0.609	0.609	16,929	16,115	
2022	29,780	1.598	2.202	723.77	687.76	95.0%	1.082	1.000	1.082	1.080	1.000	1.080	0.584	0.583	12,577	11,951	
2023	21,322	1.598	2.202	781.68	742.78	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.559	9,324	8,860	
2024	15,267	1.598	2.202	844.21	802.21	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.536	6,912	6,568	
2025	10,931	1.598	2.202	911.75	866.38	95.0%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.514	5,124	4,869	
Total Historical	1,791,266			APV	APV								Total Historical		214,933	141,309	65.75%
Total Future	7,919,582			198.47	151.78	76.48%							Total Future		1,571,776	1,202,054	76.48%
Total Lifetime	9,710,847			183.99	138.34	75.19%							Total Lifetime		1,786,709	1,343,363	75.19%
2009 Jan-Aug	1,104,312	0.965	0.871	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,873	
2009 Sep-Dec	677,248	0.972	0.903	135.63	100.36	74.0%							2009 Sep-Dec		91,359	67,589	
2009 Total	1,781,560	0.968	0.883	126.25	89.24	70.7%							2009 Total		226,393	159,461	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Revised Assumption of 10% / 10% in Yrs 2011+

SmartS Scenario 1	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)		
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims	
Pre 2008	745			109.69	62.02	56.5%							1.077	1.077	88	50	
2008	686,208	0.951	0.784	111.31	68.93	61.9%	1.015			1.111			1.045	1.044	79,810	49,387	
2009	1,781,560	0.968	0.883	126.25	89.24	70.7%	1.134	1.018	1.115	1.295	1.127	1.149	1.007	1.003	226,393	159,461	
2010	2,130,060	0.988	0.940	162.88	112.16	68.9%	1.290	1.021	1.264	1.257	1.065	1.180	0.967	0.967	335,329	230,913	
2011	1,754,268	1.022	1.019	195.73	137.76	70.4%	1.202	1.034	1.162	1.228	1.083	1.134	0.928	0.928	318,798	224,304	
2012	1,099,797	1.080	1.121	226.37	166.70	73.6%	1.157	1.057	1.094	1.210	1.100	1.100	0.890	0.890	221,560	163,129	
2013	714,070	1.151	1.255	264.50	205.38	77.6%	1.168	1.065	1.097	1.232	1.119	1.100	0.853	0.853	161,116	125,071	
2014	472,782	1.233	1.437	310.69	258.76	83.3%	1.175	1.071	1.097	1.260	1.145	1.100	0.818	0.818	120,123	100,014	
2015	319,475	1.329	1.636	367.85	324.18	88.1%	1.184	1.078	1.098	1.253	1.139	1.100	0.784	0.784	92,123	81,174	
2016	222,206	1.420	1.784	434.92	388.65	89.4%	1.182	1.069	1.106	1.199	1.090	1.100	0.751	0.751	72,619	64,893	
2017	158,254	1.487	1.858	505.59	445.27	88.1%	1.162	1.047	1.111	1.146	1.042	1.100	0.720	0.720	57,640	50,766	
2018	113,310	1.531	1.923	576.39	506.85	87.9%	1.140	1.030	1.107	1.138	1.035	1.100	0.691	0.691	45,109	39,663	
2019	81,130	1.564	2.034	649.59	589.92	90.8%	1.127	1.021	1.103	1.164	1.058	1.100	0.662	0.662	34,898	31,687	
2020	58,089	1.587	2.140	727.52	682.73	93.8%	1.120	1.015	1.103	1.157	1.052	1.100	0.635	0.635	26,827	25,172	
2021	41,592	1.598	2.201	808.74	772.18	95.5%	1.112	1.007	1.104	1.131	1.029	1.100	0.609	0.609	20,471	19,545	
2022	29,780	1.598	2.202	891.47	849.67	95.3%	1.102	1.000	1.102	1.100	1.000	1.100	0.583	0.583	15,490	14,763	
2023	21,322	1.598	2.202	980.62	934.64	95.3%	1.100	1.000	1.100	1.100	1.000	1.100	0.559	0.559	11,696	11,147	
2024	15,267	1.598	2.202	1078.68	1028.10	95.3%	1.100	1.000	1.100	1.100	1.000	1.100	0.536	0.536	8,831	8,416	
2025	10,931	1.598	2.202	1186.55	1130.91	95.3%	1.100	1.000	1.100	1.100	1.000	1.100	0.514	0.514	6,668	6,355	
Total Historical	1,791,266			APV	APV		Total Historical						Total Historical		214,933	141,309	65.75%
Total Future	7,919,582			207.16	159.68	77.08%							Total Future		1,640,656	1,264,602	77.08%
Total Lifetime	9,710,847			191.08	144.78	75.77%							Total Lifetime		1,855,589	1,405,911	75.77%
2009 Jan-Aug	1,104,312	0.965	0.871	120.49	82.41	68.4%							2009 Jan-Aug		135,034	91,873	
2009 Sep-Dec	677,248	0.972	0.903	135.63	100.36	74.0%							2009 Sep-Dec		91,359	67,589	
2009 Total	1,781,560	0.968	0.883	126.25	89.24	70.7%							2009 Total		226,393	159,461	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix L

Impact Of Alternate Future Trend Assumptions

Orig Assumption of 8% / 8% in Yrs 2011+

(Prem: starting 3/1/11, Clms: starting 1/1/11)

Sample Plan: Smart Sense

SmartS Scenario 2	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)	
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)	(APV Basis)	Premium (\$000s)	Claims		
							Total	Index	Other	Total	Index	Other						
Pre 2008	745			109.69	62.02	56.5%							1.077	1.075	88	50		
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015			1.111			1.045	1.042	79,810	49,300		
2009	1,781,560	0.968	0.859	126.44	86.09	68.1%	1.136	1.018	1.116	1.249	1.141	1.095	1.007	1.002	226,731	153,619		
2010	2,130,060	0.988	0.924	163.23	101.83	62.4%	1.291	1.021	1.265	1.183	1.076	1.099	0.966	0.964	336,025	209,193		
2011	1,754,268	1.022	1.009	194.05	122.87	63.3%	1.189	1.034	1.149	1.207	1.092	1.105	0.928	0.926	316,061	199,626		
2012	1,099,797	1.080	1.117	221.81	146.93	66.2%	1.143	1.057	1.081	1.196	1.107	1.080	0.890	0.888	217,098	143,472		
2013	714,070	1.151	1.242	255.24	176.44	69.1%	1.151	1.065	1.080	1.201	1.111	1.081	0.853	0.851	155,487	107,221		
2014	472,782	1.233	1.398	295.33	214.58	72.7%	1.157	1.071	1.080	1.216	1.126	1.080	0.818	0.816	114,188	82,767		
2015	319,475	1.329	1.571	343.92	260.56	75.8%	1.165	1.078	1.080	1.214	1.124	1.080	0.784	0.782	86,136	65,104		
2016	222,206	1.420	1.726	396.95	309.16	77.9%	1.154	1.069	1.080	1.187	1.099	1.080	0.751	0.750	66,285	51,506		
2017	158,254	1.487	1.837	448.70	355.35	79.2%	1.130	1.047	1.080	1.149	1.065	1.080	0.720	0.719	51,159	40,423		
2018	113,310	1.531	1.916	499.05	400.10	80.2%	1.112	1.030	1.080	1.126	1.043	1.080	0.691	0.689	39,060	31,244		
2019	81,130	1.564	1.974	550.47	445.14	80.9%	1.103	1.021	1.080	1.113	1.030	1.080	0.662	0.661	29,575	23,862		
2020	58,089	1.587	2.012	603.37	490.02	81.2%	1.096	1.015	1.080	1.101	1.019	1.080	0.635	0.633	22,251	18,030		
2021	41,592	1.598	2.029	655.91	533.50	81.3%	1.087	1.007	1.080	1.089	1.008	1.080	0.609	0.607	16,604	13,475		
2022	29,780	1.598	2.029	708.44	576.24	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.584	0.582	12,310	9,991		
2023	21,322	1.598	2.029	765.11	622.33	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.559	0.558	9,126	7,407		
2024	15,267	1.598	2.029	826.32	672.12	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.536	0.535	6,765	5,490		
2025	10,931	1.598	2.029	892.43	725.89	81.3%	1.080	1.000	1.080	1.080	1.000	1.080	0.514	0.513	5,015	4,070		
Total Historical	1,791,266			APV	APV		Total Historical								214,933	141,061	65.63%	
Total Future	7,919,582			198.85	135.71	68.25%	Total Future								1,574,841	1,074,790		68.25%
Total Lifetime	9,710,847			184.31	125.21	67.93%	Total Lifetime								1,789,774	1,215,851		67.93%
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%							2009 Jan-Aug			135,034	91,711	
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.07	67.6%							2009 Sep-Dec			91,696	61,908	
2009 Total	1,781,560	0.968	0.859	126.44	86.09	68.1%							2009 Total			226,731	153,619	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

Revised Assumption of 10% / 10% in Yrs 2011+

SmartS Scenario 2	Relative Relative						Increase Over Prior Year (shown as Ratio)						Discnt Factor		APV of Annual Amounts		L.R. (APV Basis)	
	Mbr Months	Prem Index	Claims Index	Prem PMPM	Claims PMPM	Loss Ratio	Premium PMPM			Claims PMPM			(to Sept-09)		(\$000s)			
							Total	Index	Other	Total	Index	Other	Prem	Clms	Premium	Claims		
Pre 2008	745			109.69	62.02	56.5%							1.077	1.075	88	50		
2008	686,208	0.951	0.753	111.31	68.93	61.9%	1.015	1.018	1.116	1.111			1.045	1.042	79,810	49,300		
2009	1,781,560	0.968	0.859	126.44	86.09	68.1%	1.136	1.018	1.116	1.249	1.141	1.095	1.007	1.002	226,731	153,619		
2010	2,130,060	0.988	0.924	163.23	101.83	62.4%	1.291	1.021	1.265	1.183	1.076	1.099	0.966	0.964	336,025	209,193		
2011	1,754,268	1.022	1.009	195.22	124.07	63.6%	1.196	1.034	1.156	1.218	1.092	1.116	0.928	0.926	317,946	201,569		
2012	1,099,797	1.080	1.117	227.25	151.11	66.5%	1.164	1.057	1.101	1.218	1.107	1.100	0.890	0.888	222,410	147,548		
2013	714,070	1.151	1.242	266.36	184.83	69.4%	1.172	1.065	1.100	1.223	1.111	1.101	0.853	0.851	162,249	112,317		
2014	472,782	1.233	1.398	313.91	228.96	72.9%	1.179	1.071	1.100	1.239	1.126	1.100	0.818	0.816	121,364	88,310		
2015	319,475	1.329	1.571	372.34	283.18	76.1%	1.186	1.078	1.100	1.237	1.124	1.100	0.784	0.782	93,248	70,752		
2016	222,206	1.420	1.726	437.71	342.22	78.2%	1.176	1.069	1.100	1.208	1.099	1.100	0.751	0.750	73,088	57,010		
2017	158,254	1.487	1.837	503.93	400.63	79.5%	1.151	1.047	1.100	1.171	1.065	1.100	0.720	0.719	57,453	45,571		
2018	113,310	1.531	1.916	570.86	459.42	80.5%	1.133	1.030	1.100	1.147	1.043	1.100	0.691	0.689	44,677	35,874		
2019	81,130	1.564	1.974	641.34	520.60	81.2%	1.123	1.021	1.100	1.133	1.030	1.100	0.662	0.661	34,455	27,905		
2020	58,089	1.587	2.012	715.98	583.69	81.5%	1.116	1.015	1.100	1.121	1.019	1.100	0.635	0.633	26,402	21,475		
2021	41,592	1.598	2.029	792.72	647.24	81.6%	1.107	1.007	1.100	1.109	1.008	1.100	0.609	0.607	20,066	16,347		
2022	29,780	1.598	2.029	872.06	712.03	81.6%	1.100	1.000	1.100	1.100	1.000	1.100	0.583	0.582	15,153	12,344		
2023	21,322	1.598	2.029	959.27	783.23	81.6%	1.100	1.000	1.100	1.100	1.000	1.100	0.559	0.558	11,441	9,321		
2024	15,267	1.598	2.029	1055.19	861.55	81.6%	1.100	1.000	1.100	1.100	1.000	1.100	0.536	0.535	8,638	7,037		
2025	10,931	1.598	2.029	1160.71	947.71	81.6%	1.100	1.000	1.100	1.100	1.000	1.100	0.514	0.513	6,523	5,314		
Total Historical	1,791,266			APV	APV		Total Historical								214,933	141,061	65.63%	
Total Future	7,919,582			207.44	142.66	68.77%	Total Future								1,642,833	1,129,796	68.77%	
Total Lifetime	9,710,847			191.31	130.87	68.41%	Total Lifetime								1,857,766	1,270,857	68.41%	
2009 Jan-Aug	1,104,312	0.965	0.845	120.49	82.41	68.4%							2009 Jan-Aug			135,034	91,711	
2009 Sep-Dec	677,248	0.972	0.881	136.13	92.07	67.6%							2009 Sep-Dec			91,696	61,908	
2009 Total	1,781,560	0.968	0.859	126.44	86.09	68.1%							2009 Total			226,731	153,619	

* For historical claims prior to 2009, excludes Manual Adj to claims (non-system claims). For Jan-Aug 2009 & later claims, the manual adj. for non-system clms is included.

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
SmartSense										
Pre 2008	--	56.54%	--	56.44%	--	56.44%	--	56.44%	--	56.44%
2008	--	61.87%	--	61.77%	--	61.77%	--	61.77%	--	61.77%
2009	73.98%	68.20%	67.51%	66.19%	67.51%	66.19%	67.47%	66.18%	67.47%	66.18%
2010	69.96%	68.55%	63.38%	64.13%	66.61%	66.27%	63.18%	64.00%	66.54%	66.23%
2011	70.04%	69.08%	63.29%	63.81%	69.08%	68.25%	63.01%	63.60%	69.05%	68.23%
2012	70.80%	69.87%	63.92%	64.23%	70.62%	69.63%	63.62%	63.99%	70.61%	69.62%
2013	71.71%	70.75%	64.62%	64.78%	71.81%	70.72%	64.30%	64.52%	71.81%	70.72%
2014	72.75%	71.71%	65.35%	65.39%	72.87%	71.69%	65.02%	65.11%	72.87%	71.68%
2015	73.73%	72.61%	66.02%	65.97%	73.78%	72.52%	65.68%	65.68%	73.78%	72.51%
2016	74.46%	73.29%	66.58%	66.45%	74.51%	73.20%	66.24%	66.16%	74.51%	73.19%
2017	74.94%	73.74%	67.02%	66.84%	75.09%	73.73%	66.68%	66.54%	75.09%	73.72%
2018	75.28%	74.07%	67.37%	67.15%	75.53%	74.14%	67.02%	66.84%	75.53%	74.13%
2019	75.59%	74.35%	67.63%	67.38%	75.86%	74.45%	67.28%	67.07%	75.87%	74.45%
2020	75.86%	74.60%	67.83%	67.55%	76.11%	74.68%	67.47%	67.24%	76.12%	74.68%
2021	76.07%	74.80%	67.97%	67.68%	76.30%	74.85%	67.61%	67.37%	76.30%	74.85%
2022	76.22%	74.95%	68.07%	67.78%	76.43%	74.98%	67.72%	67.46%	76.44%	74.98%
2023	76.33%	75.05%	68.15%	67.85%	76.53%	75.07%	67.79%	67.53%	76.53%	75.07%
2024	76.42%	75.13%	68.21%	67.90%	76.60%	75.14%	67.85%	67.58%	76.61%	75.14%
2025	76.48%	75.19%	68.25%	67.93%	76.65%	75.19%	67.89%	67.62%	76.66%	75.19%

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Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
SmartSense								
Pre 2008	--	56.44%	--	56.44%	--	56.44%	--	56.44%
2008	--	61.77%	--	61.77%	--	61.77%	--	61.77%
2009	65.71%	65.65%	65.71%	65.65%	69.55%	66.73%	69.55%	66.73%
2010	60.41%	61.88%	65.16%	65.30%	67.72%	66.85%	69.01%	67.59%
2011	60.64%	61.53%	68.97%	68.31%	67.19%	66.70%	69.63%	68.35%
2012	61.39%	62.00%	70.90%	70.04%	67.65%	67.11%	70.55%	69.21%
2013	62.06%	62.51%	72.18%	71.24%	68.46%	67.79%	71.64%	70.17%
2014	62.72%	63.06%	73.24%	72.22%	69.35%	68.54%	72.72%	71.11%
2015	63.32%	63.58%	74.12%	73.03%	70.24%	69.29%	73.76%	72.02%
2016	63.79%	63.99%	74.80%	73.67%	71.02%	69.96%	74.65%	72.80%
2017	64.14%	64.30%	75.30%	74.13%	71.65%	70.50%	75.36%	73.43%
2018	64.39%	64.51%	75.64%	74.46%	72.13%	70.93%	75.91%	73.92%
2019	64.56%	64.67%	75.89%	74.69%	72.49%	71.24%	76.32%	74.29%
2020	64.68%	64.78%	76.06%	74.86%	72.76%	71.48%	76.62%	74.56%
2021	64.77%	64.85%	76.19%	74.98%	72.95%	71.66%	76.84%	74.77%
2022	64.83%	64.91%	76.28%	75.06%	73.10%	71.79%	77.01%	74.92%
2023	64.87%	64.95%	76.34%	75.12%	73.21%	71.89%	77.13%	75.04%
2024	64.90%	64.97%	76.38%	75.16%	73.30%	71.96%	77.23%	75.13%
2025	64.92%	64.99%	76.41%	75.19%	73.36%	72.02%	77.30%	75.19%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
PPO Share										
Pre 2008	--	71.00%	--	70.87%	--	70.87%	--	70.87%	--	70.87%
2008	--	71.13%	--	71.01%	--	71.01%	--	71.01%	--	71.01%
2009	90.60%	72.99%	80.25%	72.17%	80.25%	72.17%	80.19%	72.16%	80.19%	72.16%
2010	74.80%	72.40%	70.54%	71.34%	73.58%	72.01%	70.31%	71.28%	73.62%	72.02%
2011	73.54%	72.29%	69.62%	70.94%	73.44%	72.15%	69.30%	70.84%	73.47%	72.16%
2012	73.30%	72.30%	69.47%	70.78%	73.59%	72.30%	69.12%	70.65%	73.61%	72.31%
2013	73.32%	72.37%	69.51%	70.72%	73.79%	72.45%	69.15%	70.57%	73.80%	72.46%
2014	73.41%	72.45%	69.55%	70.69%	73.92%	72.56%	69.18%	70.53%	73.94%	72.56%
2015	73.51%	72.52%	69.59%	70.67%	74.02%	72.64%	69.22%	70.50%	74.03%	72.65%
2016	73.60%	72.58%	69.62%	70.66%	74.09%	72.70%	69.24%	70.49%	74.10%	72.70%
2017	73.68%	72.64%	69.63%	70.65%	74.13%	72.74%	69.25%	70.47%	74.14%	72.74%
2018	73.76%	72.69%	69.65%	70.65%	74.16%	72.77%	69.26%	70.46%	74.17%	72.77%
2019	73.83%	72.73%	69.66%	70.64%	74.19%	72.80%	69.27%	70.46%	74.20%	72.80%
2020	73.89%	72.77%	69.66%	70.64%	74.20%	72.81%	69.27%	70.45%	74.21%	72.81%
2021	73.93%	72.79%	69.67%	70.64%	74.22%	72.82%	69.28%	70.45%	74.22%	72.82%
2022	73.96%	72.81%	69.67%	70.64%	74.22%	72.83%	69.28%	70.45%	74.23%	72.83%
2023	73.98%	72.83%	69.67%	70.64%	74.23%	72.84%	69.28%	70.44%	74.24%	72.84%
2024	74.00%	72.84%	69.67%	70.63%	74.23%	72.84%	69.29%	70.44%	74.24%	72.84%
2025	74.01%	72.85%	69.68%	70.63%	74.24%	72.85%	69.29%	70.44%	74.25%	72.85%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
PPO Share								
Pre 2008	--	70.87%	--	70.87%	--	70.87%	--	70.87%
2008	--	71.01%	--	71.01%	--	71.01%	--	71.01%
2009	79.80%	72.14%	79.80%	72.14%	80.60%	72.19%	80.60%	72.19%
2010	69.00%	70.98%	73.91%	72.08%	71.54%	71.56%	73.88%	72.08%
2011	67.64%	70.30%	73.86%	72.27%	70.89%	71.35%	73.82%	72.27%
2012	67.34%	69.97%	74.04%	72.45%	70.77%	71.27%	73.92%	72.43%
2013	67.23%	69.79%	74.17%	72.58%	70.72%	71.22%	74.00%	72.55%
2014	67.17%	69.67%	74.24%	72.66%	70.69%	71.18%	74.04%	72.63%
2015	67.13%	69.58%	74.29%	72.72%	70.67%	71.16%	74.07%	72.69%
2016	67.10%	69.53%	74.32%	72.76%	70.66%	71.14%	74.08%	72.73%
2017	67.09%	69.49%	74.34%	72.78%	70.65%	71.13%	74.10%	72.76%
2018	67.07%	69.46%	74.35%	72.80%	70.65%	71.12%	74.11%	72.78%
2019	67.07%	69.44%	74.36%	72.82%	70.65%	71.11%	74.12%	72.80%
2020	67.06%	69.43%	74.37%	72.83%	70.64%	71.11%	74.12%	72.81%
2021	67.06%	69.42%	74.37%	72.83%	70.64%	71.10%	74.13%	72.83%
2022	67.05%	69.41%	74.38%	72.84%	70.64%	71.10%	74.13%	72.83%
2023	67.05%	69.41%	74.38%	72.84%	70.64%	71.10%	74.13%	72.84%
2024	67.05%	69.40%	74.38%	72.85%	70.64%	71.10%	74.13%	72.84%
2025	67.05%	69.40%	74.38%	72.85%	70.64%	71.09%	74.13%	72.85%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Saver										
Pre 2008	--	70.52%	--	70.40%	--	70.40%	--	70.40%	--	70.40%
2008	--	67.79%	--	67.67%	--	67.67%	--	67.67%	--	67.67%
2009	92.70%	70.05%	78.49%	69.06%	78.49%	69.06%	78.44%	69.06%	78.44%	69.06%
2010	81.90%	71.22%	75.48%	69.84%	79.81%	70.61%	75.26%	69.80%	79.86%	70.61%
2011	82.11%	72.37%	76.26%	70.64%	82.06%	72.07%	75.95%	70.55%	82.11%	72.07%
2012	82.61%	73.22%	76.92%	71.25%	83.32%	73.11%	76.58%	71.14%	83.38%	73.12%
2013	83.16%	73.90%	77.47%	71.74%	84.20%	73.89%	77.10%	71.60%	84.26%	73.89%
2014	83.72%	74.45%	77.90%	72.11%	84.84%	74.48%	77.53%	71.97%	84.90%	74.48%
2015	84.18%	74.89%	78.24%	72.41%	85.32%	74.92%	77.86%	72.25%	85.38%	74.92%
2016	84.53%	75.22%	78.50%	72.63%	85.68%	75.25%	78.11%	72.46%	85.74%	75.25%
2017	84.78%	75.47%	78.69%	72.79%	85.93%	75.49%	78.30%	72.62%	85.99%	75.49%
2018	84.96%	75.65%	78.83%	72.92%	86.12%	75.68%	78.43%	72.74%	86.19%	75.68%
2019	85.11%	75.79%	78.94%	73.01%	86.26%	75.81%	78.54%	72.83%	86.32%	75.81%
2020	85.23%	75.89%	79.01%	73.08%	86.37%	75.91%	78.61%	72.90%	86.43%	75.91%
2021	85.31%	75.97%	79.07%	73.13%	86.44%	75.98%	78.66%	72.95%	86.50%	75.98%
2022	85.38%	76.03%	79.11%	73.16%	86.49%	76.04%	78.70%	72.98%	86.55%	76.04%
2023	85.42%	76.07%	79.14%	73.19%	86.53%	76.08%	78.73%	73.01%	86.59%	76.08%
2024	85.46%	76.11%	79.16%	73.21%	86.56%	76.11%	78.75%	73.03%	86.62%	76.11%
2025	85.48%	76.13%	79.17%	73.22%	86.58%	76.13%	78.77%	73.04%	86.64%	76.13%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

		Scenario 6		Scenario 7		Scenario 8		Scenario 9	
		Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Saver	Pre 2008	--	70.40%	--	70.40%	--	70.40%	--	70.40%
	2008	--	67.67%	--	67.67%	--	67.67%	--	67.67%
	2009	77.86%	69.03%	77.86%	69.03%	79.08%	69.09%	79.08%	69.09%
	2010	73.77%	69.52%	80.74%	70.77%	76.98%	70.10%	79.02%	70.46%
	2011	74.05%	70.04%	83.53%	72.38%	78.17%	71.12%	80.85%	71.78%
	2012	74.43%	70.44%	84.91%	73.47%	79.10%	71.94%	82.05%	72.80%
	2013	74.76%	70.75%	85.77%	74.22%	79.83%	72.59%	82.94%	73.60%
	2014	75.04%	70.99%	86.37%	74.77%	80.40%	73.10%	83.61%	74.22%
	2015	75.27%	71.17%	86.81%	75.16%	80.84%	73.51%	84.12%	74.70%
	2016	75.43%	71.30%	87.12%	75.45%	81.17%	73.82%	84.50%	75.07%
	2017	75.55%	71.40%	87.33%	75.66%	81.43%	74.06%	84.79%	75.35%
	2018	75.63%	71.47%	87.48%	75.80%	81.61%	74.24%	85.00%	75.56%
	2019	75.69%	71.52%	87.59%	75.90%	81.75%	74.37%	85.16%	75.72%
	2020	75.73%	71.55%	87.66%	75.98%	81.85%	74.47%	85.27%	75.84%
	2021	75.75%	71.58%	87.71%	76.03%	81.93%	74.55%	85.36%	75.93%
	2022	75.77%	71.60%	87.75%	76.07%	81.98%	74.61%	85.42%	76.00%
	2023	75.79%	71.61%	87.78%	76.10%	82.03%	74.66%	85.47%	76.06%
	2024	75.80%	71.62%	87.80%	76.12%	82.06%	74.69%	85.51%	76.10%
	2025	75.81%	71.63%	87.81%	76.13%	82.08%	74.72%	85.53%	76.13%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Right										
Pre 2008	--	73.47%	--	73.34%	--	73.34%	--	73.34%	--	73.34%
2008	--	71.86%	--	71.73%	--	71.73%	--	71.73%	--	71.73%
2009	74.25%	71.80%	73.55%	71.63%	73.55%	71.63%	73.50%	71.62%	73.50%	71.62%
2010	70.68%	71.35%	69.36%	70.91%	71.03%	71.35%	69.17%	70.86%	71.07%	71.36%
2011	71.50%	71.55%	69.57%	70.78%	71.71%	71.55%	69.30%	70.68%	71.73%	71.56%
2012	72.30%	71.88%	70.23%	70.94%	72.56%	71.91%	69.92%	70.82%	72.58%	71.92%
2013	72.91%	72.19%	70.87%	71.19%	73.31%	72.29%	70.54%	71.04%	73.32%	72.29%
2014	73.47%	72.49%	71.42%	71.44%	73.94%	72.63%	71.09%	71.28%	73.95%	72.63%
2015	73.99%	72.79%	71.87%	71.67%	74.44%	72.92%	71.53%	71.50%	74.45%	72.92%
2016	74.41%	73.03%	72.22%	71.85%	74.82%	73.15%	71.88%	71.67%	74.83%	73.15%
2017	74.73%	73.22%	72.49%	71.99%	75.11%	73.33%	72.14%	71.81%	75.12%	73.33%
2018	74.98%	73.37%	72.68%	72.10%	75.32%	73.46%	72.33%	71.92%	75.34%	73.46%
2019	75.17%	73.50%	72.82%	72.19%	75.48%	73.56%	72.47%	72.00%	75.49%	73.57%
2020	75.32%	73.59%	72.93%	72.25%	75.60%	73.64%	72.57%	72.06%	75.61%	73.64%
2021	75.44%	73.66%	73.01%	72.29%	75.68%	73.69%	72.65%	72.10%	75.69%	73.69%
2022	75.52%	73.71%	73.06%	72.33%	75.74%	73.73%	72.70%	72.13%	75.75%	73.73%
2023	75.58%	73.75%	73.10%	72.35%	75.79%	73.76%	72.75%	72.16%	75.80%	73.76%
2024	75.63%	73.78%	73.13%	72.37%	75.82%	73.79%	72.77%	72.17%	75.83%	73.79%
2025	75.66%	73.80%	73.16%	72.38%	75.84%	73.80%	72.80%	72.19%	75.85%	73.80%

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Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Right								
Pre 2008	--	73.34%	--	73.34%	--	73.34%	--	73.34%
2008	--	71.73%	--	71.73%	--	71.73%	--	71.73%
2009	73.10%	71.59%	73.10%	71.59%	73.94%	71.66%	73.94%	71.66%
2010	67.93%	70.52%	71.56%	71.48%	70.70%	71.27%	69.99%	71.08%
2011	67.79%	70.10%	72.51%	71.83%	71.42%	71.45%	70.52%	71.13%
2012	68.28%	70.10%	73.41%	72.26%	72.46%	71.87%	71.48%	71.47%
2013	68.74%	70.20%	74.09%	72.63%	73.46%	72.36%	72.42%	71.89%
2014	69.13%	70.33%	74.63%	72.93%	74.29%	72.81%	73.22%	72.31%
2015	69.44%	70.45%	75.03%	73.17%	74.96%	73.20%	73.87%	72.67%
2016	69.67%	70.55%	75.33%	73.36%	75.47%	73.51%	74.36%	72.96%
2017	69.84%	70.62%	75.54%	73.49%	75.85%	73.76%	74.73%	73.18%
2018	69.95%	70.67%	75.69%	73.59%	76.13%	73.94%	75.00%	73.35%
2019	70.03%	70.71%	75.79%	73.66%	76.34%	74.08%	75.20%	73.48%
2020	70.09%	70.73%	75.86%	73.70%	76.49%	74.18%	75.34%	73.58%
2021	70.13%	70.75%	75.91%	73.74%	76.60%	74.26%	75.45%	73.65%
2022	70.16%	70.77%	75.95%	73.76%	76.69%	74.32%	75.53%	73.70%
2023	70.18%	70.77%	75.97%	73.78%	76.75%	74.37%	75.59%	73.75%
2024	70.19%	70.78%	75.99%	73.79%	76.80%	74.40%	75.64%	73.78%
2025	70.20%	70.79%	76.01%	73.80%	76.83%	74.43%	75.67%	73.80%

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Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Tonik										
Pre 2008	--	80.16%	--	80.01%	--	80.01%	--	80.01%	--	80.01%
2008	--	72.10%	--	71.98%	--	71.98%	--	71.98%	--	71.98%
2009	73.67%	71.28%	71.02%	70.93%	71.02%	70.93%	70.98%	70.93%	70.98%	70.93%
2010	67.52%	69.99%	66.34%	69.56%	67.62%	69.95%	66.14%	69.50%	67.61%	69.95%
2011	67.61%	69.60%	66.10%	68.89%	67.95%	69.69%	65.83%	68.78%	67.95%	69.69%
2012	68.54%	69.83%	66.74%	68.90%	68.80%	69.91%	66.44%	68.75%	68.80%	69.91%
2013	69.34%	70.15%	67.39%	69.07%	69.57%	70.22%	67.07%	68.91%	69.57%	70.23%
2014	69.99%	70.47%	68.00%	69.32%	70.25%	70.56%	67.67%	69.13%	70.25%	70.56%
2015	70.55%	70.76%	68.53%	69.57%	70.84%	70.87%	68.19%	69.37%	70.84%	70.88%
2016	71.04%	71.04%	68.96%	69.79%	71.31%	71.14%	68.62%	69.59%	71.31%	71.14%
2017	71.42%	71.27%	69.30%	69.97%	71.68%	71.36%	68.95%	69.76%	71.68%	71.36%
2018	71.71%	71.44%	69.55%	70.11%	71.95%	71.53%	69.20%	69.90%	71.96%	71.53%
2019	71.93%	71.58%	69.75%	70.22%	72.16%	71.65%	69.39%	70.00%	72.16%	71.65%
2020	72.11%	71.69%	69.89%	70.30%	72.31%	71.75%	69.53%	70.08%	72.32%	71.75%
2021	72.26%	71.78%	69.99%	70.36%	72.43%	71.82%	69.63%	70.14%	72.43%	71.82%
2022	72.37%	71.85%	70.07%	70.40%	72.51%	71.87%	69.70%	70.18%	72.51%	71.87%
2023	72.44%	71.89%	70.12%	70.43%	72.57%	71.91%	69.76%	70.21%	72.57%	71.91%
2024	72.50%	71.93%	70.16%	70.46%	72.61%	71.94%	69.80%	70.24%	72.61%	71.94%
2025	72.54%	71.96%	70.19%	70.48%	72.64%	71.96%	69.83%	70.26%	72.65%	71.96%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Tonik								
Pre 2008	--	80.01%	--	80.01%	--	80.01%	--	80.01%
2008	--	71.98%	--	71.98%	--	71.98%	--	71.98%
2009	70.07%	70.84%	70.07%	70.84%	71.99%	71.01%	71.99%	71.01%
2010	63.95%	68.61%	66.92%	69.64%	69.15%	70.46%	68.25%	70.22%
2011	63.65%	67.51%	67.99%	69.59%	69.13%	70.28%	67.85%	69.81%
2012	64.29%	67.39%	69.09%	69.98%	69.92%	70.50%	68.48%	69.89%
2013	64.86%	67.47%	69.91%	70.36%	70.85%	70.89%	69.31%	70.18%
2014	65.37%	67.64%	70.58%	70.73%	71.72%	71.31%	70.11%	70.52%
2015	65.82%	67.83%	71.14%	71.05%	72.45%	71.69%	70.79%	70.85%
2016	66.17%	67.99%	71.57%	71.31%	73.02%	72.01%	71.32%	71.13%
2017	66.43%	68.12%	71.88%	71.50%	73.44%	72.25%	71.72%	71.35%
2018	66.61%	68.21%	72.10%	71.64%	73.76%	72.44%	72.02%	71.52%
2019	66.73%	68.27%	72.26%	71.74%	73.99%	72.59%	72.23%	71.64%
2020	66.82%	68.32%	72.37%	71.81%	74.16%	72.69%	72.39%	71.74%
2021	66.89%	68.35%	72.45%	71.86%	74.28%	72.77%	72.51%	71.81%
2022	66.93%	68.38%	72.50%	71.90%	74.38%	72.84%	72.60%	71.86%
2023	66.96%	68.39%	72.54%	71.93%	74.45%	72.88%	72.67%	71.90%
2024	66.99%	68.41%	72.57%	71.94%	74.50%	72.92%	72.72%	71.93%
2025	67.00%	68.41%	72.59%	71.96%	74.54%	72.94%	72.76%	71.96%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
CDHP w/ Maternity										
Pre 2008	--	60.04%	--	59.94%	--	59.94%	--	59.94%	--	59.94%
2008	--	107.57%	--	107.38%	--	107.38%	--	107.38%	--	107.38%
2009	181.63%	128.66%	182.11%	128.72%	182.11%	128.72%	181.99%	128.69%	181.99%	128.69%
2010	156.06%	136.96%	150.73%	134.20%	154.06%	135.75%	150.22%	133.93%	153.87%	135.64%
2011	150.08%	138.57%	143.27%	134.04%	149.59%	137.94%	142.61%	133.60%	149.54%	137.87%
2012	149.77%	140.34%	142.15%	134.83%	149.44%	139.79%	141.43%	134.31%	149.43%	139.75%
2013	150.06%	141.63%	142.17%	135.68%	149.95%	141.22%	141.42%	135.11%	149.96%	141.20%
2014	150.25%	142.43%	142.37%	136.33%	150.43%	142.24%	141.61%	135.74%	150.45%	142.23%
2015	150.42%	142.99%	142.62%	136.85%	150.87%	143.01%	141.85%	136.24%	150.90%	142.99%
2016	150.49%	143.33%	142.78%	137.20%	151.15%	143.52%	142.00%	136.57%	151.18%	143.51%
2017	150.55%	143.58%	142.89%	137.44%	151.35%	143.88%	142.11%	136.81%	151.38%	143.87%
2018	150.67%	143.82%	142.97%	137.61%	151.48%	144.14%	142.18%	136.97%	151.52%	144.13%
2019	150.83%	144.06%	143.02%	137.74%	151.58%	144.32%	142.23%	137.10%	151.62%	144.32%
2020	150.98%	144.26%	143.06%	137.83%	151.65%	144.46%	142.27%	137.18%	151.69%	144.46%
2021	151.12%	144.43%	143.09%	137.89%	151.70%	144.56%	142.29%	137.25%	151.74%	144.56%
2022	151.21%	144.55%	143.11%	137.94%	151.74%	144.63%	142.31%	137.29%	151.78%	144.63%
2023	151.28%	144.64%	143.13%	137.98%	151.76%	144.68%	142.33%	137.33%	151.81%	144.68%
2024	151.34%	144.71%	143.14%	138.00%	151.78%	144.72%	142.34%	137.35%	151.83%	144.72%
2025	151.38%	144.75%	143.14%	138.02%	151.80%	144.75%	142.34%	137.37%	151.84%	144.75%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
CDHP w/ Maternity								
Pre 2008	--	59.94%	--	59.94%	--	59.94%	--	59.94%
2008	--	107.38%	--	107.38%	--	107.38%	--	107.38%
2009	177.93%	128.39%	177.93%	128.39%	186.57%	129.00%	186.57%	129.00%
2010	142.34%	130.95%	149.34%	134.59%	163.01%	137.92%	163.27%	138.03%
2011	135.66%	129.90%	148.14%	138.23%	156.54%	139.93%	157.12%	140.23%
2012	134.93%	130.39%	149.09%	140.63%	154.77%	141.31%	155.46%	141.73%
2013	134.87%	130.85%	149.83%	142.11%	154.00%	142.19%	154.75%	142.67%
2014	134.86%	131.14%	150.27%	143.00%	153.58%	142.75%	154.36%	143.27%
2015	134.86%	131.32%	150.53%	143.55%	153.32%	143.14%	154.12%	143.68%
2016	134.86%	131.44%	150.71%	143.92%	153.15%	143.41%	153.96%	143.98%
2017	134.86%	131.53%	150.84%	144.18%	153.02%	143.61%	153.84%	144.19%
2018	134.87%	131.59%	150.92%	144.36%	152.93%	143.76%	153.76%	144.35%
2019	134.87%	131.63%	150.98%	144.48%	152.86%	143.87%	153.70%	144.47%
2020	134.87%	131.66%	151.02%	144.57%	152.81%	143.95%	153.65%	144.55%
2021	134.87%	131.68%	151.05%	144.64%	152.77%	144.01%	153.62%	144.62%
2022	134.87%	131.70%	151.07%	144.68%	152.74%	144.06%	153.59%	144.67%
2023	134.87%	131.71%	151.09%	144.71%	152.72%	144.09%	153.57%	144.70%
2024	134.87%	131.72%	151.10%	144.74%	152.71%	144.12%	153.55%	144.73%
2025	134.87%	131.72%	151.11%	144.75%	152.69%	144.14%	153.54%	144.75%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
CDHP w/out Matern.										
Pre 2008	--	269.11%	--	268.63%	--	268.63%	--	268.63%	--	268.63%
2008	--	54.73%	--	54.63%	--	54.63%	--	54.63%	--	54.63%
2009	48.57%	50.99%	58.03%	54.05%	58.03%	54.05%	57.99%	54.03%	57.99%	54.03%
2010	54.66%	53.96%	55.12%	54.26%	56.99%	55.57%	54.92%	54.12%	56.93%	55.52%
2011	59.95%	58.61%	58.26%	57.20%	61.79%	60.03%	57.96%	56.95%	61.75%	60.00%
2012	64.22%	62.64%	61.57%	60.33%	65.84%	63.93%	61.24%	60.04%	65.82%	63.91%
2013	67.57%	65.89%	64.27%	62.95%	69.00%	67.04%	63.91%	62.62%	68.99%	67.02%
2014	70.32%	68.58%	66.40%	65.03%	71.45%	69.47%	66.01%	64.68%	71.45%	69.46%
2015	72.71%	70.92%	68.17%	66.78%	73.47%	71.49%	67.77%	66.41%	73.47%	71.48%
2016	74.57%	72.77%	69.63%	68.23%	75.13%	73.15%	69.22%	67.84%	75.13%	73.14%
2017	75.89%	74.09%	70.81%	69.40%	76.46%	74.50%	70.38%	69.01%	76.47%	74.49%
2018	76.84%	75.07%	71.75%	70.34%	77.53%	75.58%	71.32%	69.94%	77.54%	75.57%
2019	77.69%	75.93%	72.50%	71.10%	78.38%	76.44%	72.07%	70.70%	78.39%	76.44%
2020	78.47%	76.71%	73.10%	71.71%	79.06%	77.13%	72.66%	71.29%	79.07%	77.13%
2021	79.14%	77.39%	73.58%	72.18%	79.59%	77.68%	73.13%	71.77%	79.60%	77.68%
2022	79.67%	77.92%	73.94%	72.56%	80.01%	78.11%	73.50%	72.14%	80.02%	78.11%
2023	80.08%	78.34%	74.24%	72.86%	80.34%	78.45%	73.79%	72.43%	80.35%	78.45%
2024	80.41%	78.67%	74.47%	73.10%	80.61%	78.72%	74.02%	72.67%	80.62%	78.72%
2025	80.67%	78.94%	74.66%	73.29%	80.82%	78.94%	74.20%	72.86%	80.83%	78.94%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
CDHP w/out Matern.								
Pre 2008	--	268.63%	--	268.63%	--	268.63%	--	268.63%
2008	--	54.63%	--	54.63%	--	54.63%	--	54.63%
2009	56.47%	53.62%	56.47%	53.62%	59.82%	54.46%	59.82%	54.46%
2010	51.91%	51.95%	55.58%	54.74%	60.45%	57.30%	60.82%	57.52%
2011	54.83%	54.48%	61.55%	60.21%	64.62%	61.22%	65.39%	61.75%
2012	58.22%	57.63%	66.28%	64.75%	67.64%	64.23%	68.60%	64.95%
2013	60.87%	60.18%	69.76%	68.17%	70.06%	66.68%	71.15%	67.52%
2014	62.76%	62.01%	72.20%	70.60%	72.14%	68.79%	73.31%	69.71%
2015	64.20%	63.43%	74.05%	72.46%	73.95%	70.62%	75.19%	71.62%
2016	65.35%	64.57%	75.51%	73.93%	75.50%	72.19%	76.79%	73.26%
2017	66.28%	65.49%	76.68%	75.11%	76.73%	73.46%	78.07%	74.57%
2018	67.02%	66.23%	77.61%	76.05%	77.70%	74.47%	79.07%	75.62%
2019	67.62%	66.82%	78.36%	76.81%	78.48%	75.28%	79.88%	76.46%
2020	68.09%	67.29%	78.95%	77.41%	79.08%	75.93%	80.50%	77.13%
2021	68.46%	67.66%	79.42%	77.89%	79.56%	76.44%	81.00%	77.66%
2022	68.75%	67.95%	79.77%	78.25%	79.94%	76.84%	81.39%	78.08%
2023	68.97%	68.17%	80.05%	78.54%	80.25%	77.18%	81.71%	78.43%
2024	69.14%	68.35%	80.27%	78.76%	80.49%	77.45%	81.97%	78.71%
2025	69.28%	68.49%	80.45%	78.94%	80.70%	77.67%	82.18%	78.94%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)										
	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
3500										
Pre 2008	--	55.55%	--	55.45%	--	55.45%	--	55.45%	--	55.45%
2008	--	58.60%	--	58.50%	--	58.50%	--	58.50%	--	58.50%
2009	80.63%	60.87%	74.59%	60.03%	74.59%	60.03%	74.54%	60.03%	74.54%	60.03%
2010	71.12%	63.01%	68.27%	61.86%	71.25%	62.86%	68.04%	61.77%	71.28%	62.86%
2011	73.47%	65.97%	69.96%	64.11%	74.20%	66.05%	69.62%	63.94%	74.24%	66.05%
2012	76.09%	68.65%	72.09%	66.25%	76.92%	68.79%	71.71%	66.03%	76.96%	68.79%
2013	78.21%	70.85%	73.92%	68.08%	79.11%	71.04%	73.51%	67.82%	79.16%	71.04%
2014	79.88%	72.61%	75.40%	69.59%	80.84%	72.86%	74.97%	69.30%	80.89%	72.86%
2015	81.28%	74.09%	76.62%	70.84%	82.25%	74.36%	76.17%	70.53%	82.31%	74.36%
2016	82.40%	75.29%	77.61%	71.86%	83.39%	75.57%	77.15%	71.54%	83.44%	75.57%
2017	83.28%	76.25%	78.40%	72.69%	84.29%	76.56%	77.93%	72.36%	84.34%	76.56%
2018	83.98%	77.03%	79.02%	73.36%	85.00%	77.34%	78.55%	73.02%	85.06%	77.35%
2019	84.59%	77.69%	79.52%	73.90%	85.57%	77.98%	79.04%	73.54%	85.62%	77.98%
2020	85.12%	78.26%	79.91%	74.32%	86.01%	78.48%	79.43%	73.97%	86.07%	78.48%
2021	85.55%	78.72%	80.21%	74.66%	86.36%	78.88%	79.73%	74.30%	86.41%	78.88%
2022	85.90%	79.10%	80.45%	74.93%	86.63%	79.20%	79.97%	74.57%	86.69%	79.20%
2023	86.17%	79.39%	80.64%	75.15%	86.85%	79.45%	80.16%	74.78%	86.91%	79.46%
2024	86.39%	79.63%	80.80%	75.32%	87.02%	79.66%	80.31%	74.95%	87.08%	79.67%
2025	86.56%	79.83%	80.92%	75.46%	87.16%	79.83%	80.43%	75.09%	87.22%	79.83%

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Appendix M

Product Specific Projections of Loss Ratios By Year

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
3500								
Pre 2008	--	55.45%	--	55.45%	--	55.45%	--	55.45%
2008	--	58.50%	--	58.50%	--	58.50%	--	58.50%
2009	73.59%	59.95%	73.59%	59.95%	75.51%	60.10%	75.51%	60.10%
2010	65.19%	60.86%	70.55%	62.80%	71.28%	62.64%	72.70%	63.07%
2011	66.16%	62.43%	73.96%	66.25%	73.77%	65.43%	75.74%	66.24%
2012	68.17%	64.27%	77.06%	69.23%	75.88%	67.74%	78.12%	68.82%
2013	69.89%	65.87%	79.45%	71.59%	77.67%	69.69%	80.07%	70.96%
2014	71.18%	67.11%	81.19%	73.39%	79.18%	71.34%	81.71%	72.76%
2015	72.21%	68.12%	82.54%	74.81%	80.45%	72.72%	83.06%	74.26%
2016	73.03%	68.94%	83.61%	75.95%	81.47%	73.86%	84.15%	75.49%
2017	73.69%	69.60%	84.46%	76.86%	82.27%	74.78%	85.00%	76.48%
2018	74.21%	70.13%	85.14%	77.59%	82.89%	75.51%	85.66%	77.27%
2019	74.63%	70.56%	85.67%	78.18%	83.38%	76.10%	86.19%	77.91%
2020	74.96%	70.89%	86.09%	78.64%	83.76%	76.56%	86.59%	78.41%
2021	75.21%	71.16%	86.42%	79.00%	84.06%	76.94%	86.91%	78.82%
2022	75.41%	71.37%	86.67%	79.28%	84.30%	77.25%	87.17%	79.15%
2023	75.57%	71.53%	86.87%	79.51%	84.50%	77.50%	87.38%	79.42%
2024	75.69%	71.66%	87.02%	79.69%	84.65%	77.70%	87.55%	79.65%
2025	75.79%	71.76%	87.15%	79.83%	84.78%	77.87%	87.68%	79.83%

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Appendix M

Product Specific Projections of Loss Ratios By Year

**ALL PLANS
COMBINED**

Cumulative Loss Ratios by Scenario (Present Value Basis)

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Pre 2008	--	70.60%	--	70.48%	--	70.48%	--	70.48%	--	70.48%
2008	--	69.48%	--	69.36%	--	69.36%	--	69.36%	--	69.36%
2009	81.20%	70.71%	75.41%	69.99%	75.41%	69.99%	75.36%	69.98%	75.36%	69.98%
2010	72.75%	70.58%	68.79%	69.15%	71.58%	70.08%	68.57%	69.07%	71.57%	70.07%
2011	73.03%	71.12%	68.75%	69.06%	73.02%	71.00%	68.45%	68.92%	73.02%	70.99%
2012	74.03%	71.89%	69.55%	69.45%	74.38%	71.93%	69.22%	69.27%	74.39%	71.93%
2013	75.02%	72.64%	70.39%	69.94%	75.53%	72.77%	70.04%	69.73%	75.54%	72.77%
2014	75.95%	73.34%	71.15%	70.42%	76.49%	73.49%	70.78%	70.20%	76.50%	73.49%
2015	76.80%	73.98%	71.82%	70.87%	77.30%	74.11%	71.44%	70.63%	77.31%	74.10%
2016	77.47%	74.51%	72.37%	71.24%	77.95%	74.61%	71.98%	71.00%	77.97%	74.61%
2017	77.97%	74.91%	72.81%	71.56%	78.48%	75.03%	72.41%	71.31%	78.49%	75.03%
2018	78.36%	75.23%	73.16%	71.81%	78.89%	75.36%	72.76%	71.55%	78.91%	75.36%
2019	78.71%	75.51%	73.44%	72.02%	79.22%	75.62%	73.04%	71.76%	79.24%	75.62%
2020	79.01%	75.75%	73.66%	72.18%	79.48%	75.83%	73.26%	71.91%	79.49%	75.83%
2021	79.26%	75.94%	73.83%	72.31%	79.68%	75.99%	73.43%	72.04%	79.70%	75.99%
2022	79.46%	76.10%	73.97%	72.41%	79.83%	76.12%	73.56%	72.14%	79.85%	76.12%
2023	79.61%	76.22%	74.07%	72.49%	79.96%	76.22%	73.67%	72.22%	79.97%	76.22%
2024	79.73%	76.32%	74.16%	72.55%	80.05%	76.30%	73.75%	72.28%	80.07%	76.30%
2025	79.82%	76.39%	74.23%	72.60%	80.13%	76.37%	73.82%	72.33%	80.15%	76.36%

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Appendix M

Product Specific Projections of Loss Ratios By Year

ALL PLANS COMBINED	Cumulative Loss Ratios by Scenario (Present Value Basis)							
	Scenario 6		Scenario 7		Scenario 8		Scenario 9	
	Future	Lifetime	Future	Lifetime	Future	Lifetime	Future	Lifetime
Pre 2008	--	70.48%	--	70.48%	--	70.48%	--	70.48%
2008	--	69.36%	--	69.36%	--	69.36%	--	69.36%
2009	74.18%	69.87%	74.18%	69.87%	76.64%	70.09%	76.64%	70.09%
2010	65.94%	68.07%	70.63%	69.80%	71.92%	70.13%	73.02%	70.45%
2011	65.70%	67.49%	72.89%	71.04%	72.25%	70.54%	73.88%	71.19%
2012	66.50%	67.71%	74.60%	72.19%	73.04%	71.10%	74.89%	71.95%
2013	67.27%	68.08%	75.86%	73.12%	73.88%	71.69%	75.85%	72.67%
2014	67.93%	68.45%	76.84%	73.87%	74.66%	72.25%	76.72%	73.32%
2015	68.50%	68.79%	77.63%	74.48%	75.36%	72.75%	77.47%	73.90%
2016	68.95%	69.08%	78.25%	74.96%	75.94%	73.19%	78.10%	74.39%
2017	69.31%	69.31%	78.73%	75.35%	76.41%	73.55%	78.60%	74.79%
2018	69.58%	69.50%	79.10%	75.65%	76.78%	73.83%	79.00%	75.11%
2019	69.79%	69.65%	79.39%	75.88%	77.07%	74.06%	79.31%	75.37%
2020	69.96%	69.76%	79.61%	76.06%	77.30%	74.24%	79.55%	75.57%
2021	70.09%	69.85%	79.78%	76.19%	77.47%	74.39%	79.74%	75.73%
2022	70.19%	69.92%	79.91%	76.30%	77.62%	74.50%	79.90%	75.85%
2023	70.26%	69.97%	80.01%	76.38%	77.73%	74.60%	80.02%	75.96%
2024	70.32%	70.02%	80.09%	76.45%	77.82%	74.67%	80.12%	76.04%
2025	70.37%	70.05%	80.15%	76.50%	77.90%	74.73%	80.20%	76.11%

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Appendix N

Summary of Changes By Component

Summary of Changes by Component

	SmartSense		Share		Right		Tonik	
	Future LLR	Total LLR	Future LLR	Total LLR	Future LLR	Total LLR	Future LLR	Total LLR
Direct Adjustments to Anthem Model								
Original Filed Calculation	76.48%	75.19%	74.01%	72.85%	75.66%	73.80%	72.54%	71.96%
+ Recalculation of Future Clms Trends *	74.42%	73.38%	71.93%	71.81%	73.76%	72.77%	70.63%	70.79%
+ Recalculation of Starting Clms Trends for known risk factors **	69.19%	68.77%	71.23%	71.46%	73.88%	72.83%	71.28%	71.19%
+ Adjustments to Trend Months applied in LLR model ***	68.15%	67.86%	71.34%	71.52%	74.05%	72.92%	71.45%	71.29%
Other Adjustments per AHP Indep Estimates (Scenario 2) ****	0.10%	0.07%	-1.67%	-0.89%	-0.89%	-0.54%	-1.26%	-0.82%
AHP Best Estimate (Scenario 2)	68.25%	67.93%	69.68%	70.63%	73.16%	72.38%	70.19%	70.48%

	Saver		CDHP w/ Mat		CDHP Non-Mat		3500	
	Future LLR	Total LLR	Future LLR	Total LLR	Future LLR	Total LLR	Future LLR	Total LLR
Direct Adjustments to Anthem Model								
Original Filed Calculation	85.48%	76.13%	151.38%	144.75%	80.67%	78.94%	86.56%	79.83%
+ Recalculation of Future Trend *	83.28%	75.15%	147.08%	141.26%	78.16%	76.58%	83.90%	77.79%
+ Recalculation of Starting Trends for known risk factors **	81.03%	74.14%	147.03%	141.21%	74.79%	73.42%	83.08%	77.16%
+ Adjustments to Trend Months applied in LLR model ***	80.91%	74.08%	144.42%	139.09%	74.90%	73.52%	82.80%	76.95%
Other Adjustments per AHP Indep Estimates (Scenario 2) ****	-1.73%	-0.86%	-1.27%	-1.06%	-0.25%	-0.23%	-1.89%	-1.49%
AHP Best Estimate (Scenario 2)	79.17%	73.22%	143.14%	138.02%	74.66%	73.29%	80.92%	75.46%

* Impact of adjustments to calculated historical trends used for trending forward from Sept-09, including:

- Adjustment applied to exclude change in Prem Index from calculated trends
- CDHP trends adjusted to include Plan Mix adjustment.
- CDHP_Non-Mat trend adjusted to use 3500 Duration (Index) factors
- Calculated trends annualized based on wtd avg # mo's between periods

** Adjustment to historical (starting) trend by plan, to reflect actual / known trend in Claims Duration & Plan-mix factors applicable from Base PMPM Period (6/08-5/09) to Sept-09 (see separate attachment)

*** Trend Month Adjustments applicable to original LLR models, including:

- Adj #1 to reflect weighted avg number of months of measured trend between successive periods, used to annualize historical trend to project Sept-09 - Dec-09 claims pmpm
- >> For Smart Sense, corrected formula error (cell S136 in "70%Standard"); for other plans, calculated weighted # mo's of measured trend, rather than assuming 12
- Adj #2 to reflect weighted avg number of months from 6/08-5/09 base period to starting month (Sept-09), rather than the assumed 9.5 mo's, used to project Jan-2010+ pmpms

**** Total additional adjustments included in AHP Independent Calculation including:

Additional corrections:

- Adjustment to index factors to exclude claims_weights data for Share/CDHP-Mat plans from All_Other claims index factor calculation (to match approach for Prem index calculation), along w/ re-smoothing of adjusted factors, including AHP graded reduction of Claims-to-Premium relativities at later durations.
- Discounting of Inc'd Claims by an additional 0.5 mo's relative to premium in P.V. calculations

Additional Refinements:

- Adjustment to Jan-2010+ monthly PMPM claims projections to reflect seasonality of benefits (e.g., CY Ded.) based on analysis of Anthem experience by plan
- Re-estimation of Sept-09 - Dec-09 based on seasonality-adjusted base period experience, rather than trended single-month estimates.
- Alternative premium projection calculations per split between Existing vs New Sales cohorts & modified weighted premium trend approach
- Other variations applicable to alternative Scenarios

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Appendix O

The Culture of Collaboration

The Culture of Collaboration:

Page 1 of 4

The Culture of Collaboration

July 21, 2009

Empathy and Collaboration: What's the Link?

Are empathic people more likely to collaborate? Or are collaborators more likely to empathize?



Dev Patnaik, author of *Wired to Care*, and I tossed around these and other questions during an engaging discussion this afternoon. "Collaboration allows for empathy and creativity to occur" is Dev's view. We can argue this chicken-or-egg question either way, but the point is that empathy and collaboration are fellow travelers. While I argue in *The Culture of Collaboration* book that collaborating creates value, Dev argues that empathy makes money for companies.

Almost everything in business has become data-driven. The thinking is...if you can't measure it, it doesn't matter. Even traditionally less data driven disciplines such as public relations have become more numbers-oriented. Data certainly provides valuable insight, but it doesn't tell the whole story. After all, the road is littered with businesses that have used numbers—real or manufactured—to hide destructive practices. Bernie Madoff, who's not exactly a poster boy for empathy, comes to mind.

I've been noticing recently some cracks developing in this data-obsessed foundation on which we build and grow businesses. Clearly, Dev's antenna is up, and he's noticing something similar. Dev likens the shift to the change in painting (canvases, not houses) that occurred after the adoption of the camera. Expressionism replaced realism.

According to Dev, we're moving into the "abstract expressionist phase of management." It's no longer enough to be a great numbers person. We're now expecting more of our leaders, and empathy and collaboration are among those qualities. Because a collaborative organization creates greater value, there's an increasing role for collaborative leaders. And the same is true for empathy.

Understanding the feelings of others is good behavior, but empathy particularly pays off when companies—that is the people who work for companies—understand what their customers are feeling. And in *Wired to Care*, Dev deftly weaves into his narrative numerous examples—ranging from Harley-Davidson to Nike—of companies that have achieved impressive results through empathy.

Dev asked me about the relationship between empathy and collaboration, and I've been thinking more about it since we talked. The strongest link is that both qualities involve focusing less on self and more on others. The opposite of collaborative behavior is internally-competitive, command-and-control behavior. This is a form of self absorption. Another form of self absorption is lack of understanding how others feel.

While reading Dev's book, I wondered whether its author is empathetic. So I asked him. "I'm not a very empathic person," Dev insisted. That struggle with empathy, though drives Dev's interest in the topic. He points to the reputation of Apple CEO Steve Jobs as technologically-challenged. Jobs and Apple are ideally suited to sort out usability, Dev argues, because of this struggle. It's not exactly analogous, but I take Dev's point. And at the risk of treading into blurb-like territory, *Wired to Care* will make you think and act differently.

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Appendix O

The Culture of Collaboration

The Culture of Collaboration:

Page 2 of 4

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July 16, 2009

Collaboration Curing Multiple Sclerosis

It was definitely unorthodox. Many said it was impossible. But it looks like The Myelin Repair Foundation has done it. MRF, which is working on curing multiple sclerosis, is about to meet its ambitious goal of licensing a discovery for commercial drug development within five years. Through a collaborative research model, the Silicon Valley-based foundation has reduced drug development time from 15 years to 5 years. MRF is negotiating with a biotech company and believes a license agreement is in the works.

Intuit Founder Scott Cook, a foundation supporter, suggested I research MRF when I was writing *The Culture of Collaboration* [book](#). In the book, I tell the story of how Scott Johnson, who has MS, learned that a cure was taking three or four times as long because of competition among researchers. This prompted Johnson to rethink the culture of medical research and begin changing that culture. Scientists often refuse to share data and information, because they compete for limited grant money and for publishing articles in top medical journals. The answer was to get experts in different disciplines to collaborate. So Johnson raised money, ultimately plowed \$20 million into drug discovery work, and built a collaborative medical research foundation.

Johnson brought in fellow tech start-up veteran Russell Bromley as chief operating officer. And Johnson and Bromley recruited five principal investigators who head labs. They proposed a level of collaboration for curing disease that none of the scientists had ever experienced. Their focus was to repair myelin, the sheath that surrounds the nerves, which MS damages. Johnson and Bromley with input from the researchers developed a Collaborative Research Process, which addresses everything from tools to incentives.

Since its founding in 2004, MRF has advanced work towards a cure for MS beyond anything anybody else had imagined within this timeframe. "Because of our work, we have a much clearer understanding of how to drive neural stem cells to the site of myelin damage in the central nervous system and instruct the myelin-producing cells to remyelinate," Johnson writes in his recent [president's message](#).

The Myelin Repair Foundation's game-changing collaborative approach sets a new standard for medical research. The broader medical research community should sit up and take notice that collaboration among researchers creates greater value than competition.

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Appendix O

The Culture of Collaboration

The Culture of Collaboration:

Page 3 of 4

July 01, 2009

Kaiser's Garfield Center Enhances Innovation, Collaboration

With the growing use of tools enabling collaboration at a distance, it's easy to forget the value of same-room collaboration and the role of the physical workplace environment. Environment—both physical and virtual-- is one of the Ten Cultural Elements of Collaboration that I identify in *The Culture of Collaboration* [book](#).

It's essential to bring collaborative capabilities to people so that collaboration becomes integrated with work styles. Forcing people to walk down the hall or go someplace to collaborate falls short. Therefore, it may seem counter-intuitive that dedicated collaborative spaces not only enhance collaboration, but also are crucial components of collaborative organizations.

Our research at The Culture of Collaboration@Institute shows that the most collaborative organizations integrate dedicated collaborative spaces into work flow. The distinction is that these physical spaces are by no means the primary means of organizational collaboration. In some cases, dedicated collaborative spaces bridge physical and virtual environments by including geographically-dispersed team members through telepresence or videoconferencing.



Yesterday, I had the opportunity to explore one such dedicated collaborative space. From the outside, Kaiser Permanente's [Sidney R. Garfield Health Care Innovation Center](#) looks like a warehouse. In fact, it's a former check processing center in an industrial park in San Leandro, California. On the inside, the Garfield Center is anything but ordinary. The future of healthcare delivery is unfolding in this 37-thousand square foot laboratory. The Garfield Center includes multiple environments ranging from patient room prototypes to homes outfitted with

monitoring and telemedicine technologies.

There are lots of gee-whiz technologies and environments including a concept operating room in which researchers are testing tools including augmented virtual reality. But what's most significant about the Garfield Center is that people from across Kaiser regardless of level, role or region come together to brainstorm, innovate and collaborate. Doctors and nurses partner with architects and technologists to create prototypes for patient care in this "touchdown location for innovation work" as Sherry Fry, operations specialist for the Center, describes it. Anybody at Kaiser can use the facility as long as the activity is interdisciplinary. "The Garfield Center has become synonymous with innovation at Kaiser," notes Dr. Yan Chow, associate director of innovation and advanced technology for Kaiser Permanente.

In developing the 3-year-old Garfield Center, Kaiser researchers studied models outside healthcare, notably the McDonald's Innovation Center near Chicago. Kaiser also studied Mayo Clinic's S.P.A.R.C. unit, which I describe in my [book](#). S.P.A.R.C. stands for See Plan Act Refine Communicate. Through S.P.A.R.C., Mayo assembles cross-functional collaborators to conduct live prototyping of healthcare service delivery.

The value of dedicated collaborative spaces is that they help break down barriers among silos. As doctors engage architects and facilities people brainstorm with technologists, ideas become prototypes which ultimately deliver measurable value.

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Appendix O

The Culture of Collaboration

The Culture of Collaboration:

Page 4 of 4

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