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# COMMONWEALTH OF VIRGINIA



## STATE CORPORATION COMMISSION

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160740237

July 27, 2016

### VIA HAND DELIVERY

Hon. Joel H. Peck, Clerk  
State Corporation Commission  
c/o Document Control Center  
Tyler Building, First Floor  
1300 East Main Street  
Richmond, Virginia 23219

Re: Application of Anthem, Inc.  
Case No. INS-2015-00154

2016 JUL 27 A 9:01  
SCC-CLERK'S OFFICE  
DOCUMENT CONTROL CENTER

Dear Mr. Peck:

Attached please find an original and fifteen (15) copies of the Report of the Bureau of Insurance ("Bureau") and the Economic Analysis of the Market Structure and Likely Effect on Competition in the Commonwealth of Virginia as a Result of the Acquisition of Cigna Corporation by Anthem Inc. prepared by the Bureau's consulting economist regarding the above referenced case.

Pursuant to § 38.2-221.1 of the Code of Virginia confidential proprietary data submitted to the Bureau by regulated entities has been redacted.

Please see that the attached documents are filed in the case file of the above referenced matter. If you have any questions, please do not hesitate to call me at 371-9140. Thank you for your assistance in this matter.

Very truly yours,

  
John O. Cox  
Associate General Counsel

JOC:abh  
Attachments (2)

160740237

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION**

**BUREAU OF INSURANCE**

**REPORT OF THE BUREAU OF INSURANCE CONCERNING THE APPLICATION  
OF ANTHEM, INC. FOR APPROVAL OF ACQUISITION OF CONTROL OF OR  
MERGER WITH A DOMESTIC INSURER PURSUANT TO § 38.2-1323 OF THE CODE  
OF VIRGINIA**

**Application of Anthem, Inc. for approval of acquisition  
of control of, or merger with, a domestic insurer**

**CASE NO. INS-2015-00154**

**July 27, 2016**

**Report of the Bureau of Insurance Concerning the Application of  
Anthem, Inc. for Approval of the Acquisition of Control of or Merger  
with a Domestic Insurer Pursuant to § 38.2-1323 of the Code of Virginia  
(State Corporation Commission Case No. INS-2015-00154)**

The Bureau of Insurance ("Bureau") submits this report regarding the potential impact on the Virginia health insurance markets of the proposed merger between Anthem, Inc. ("Anthem") and Cigna Corporation ("Cigna"). The Bureau has conducted a thorough analysis of the competitive impact and detrimental impact of the merger pursuant to § 38.2-1323 of the Code of Virginia ("Code"). The analysis considers submissions to the State Corporation Commission ("Commission") regarding the merger, as well as the conclusions of an economist retained by the Bureau.<sup>1</sup>

The Bureau has determined that the merger will impact competition at both a state and local level in the market for large group comprehensive medical insurance. Despite general claims of benefits and mitigating factors, the Bureau further has determined that this impact raises the potential of harm to policyholders as well as the general public. Based on these determinations, the Bureau recommends at this time that the proposed merger is not in the best interests of policyholders or the public in general. The Bureau, however, further recommends that the Commission allow Anthem thirty days to respond to the Bureau's determinations before recommending suspension of any insurance license under § 38.2-1323 of the Code.

I. Background Regarding the Bureau's Review of the Proposed Merger

The Bureau addresses several preliminary matters supporting its determinations. These matters include an overview of: (a) the health insurance markets in Virginia; (b) submissions to the Commission regarding the merger; and (c) the standard of review and the approach supporting the Bureau's analysis.

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<sup>1</sup> "An Economic Analysis of the Market Structure and Likely Effect on Competition in the Commonwealth of Virginia as a Result of the Acquisition of Cigna Corporation by Anthem, Inc.", prepared by Glenn A. Watkins together with data collection and analysis support from the Bureau ("Economic Analysis").

A. *Overview of Virginia's Health Insurance Markets*

The Bureau focuses on Virginia's health insurance markets for purposes of analyzing the proposed merger. These markets provide more than 8 million Virginia residents with a range of health insurance products, plans and programs.<sup>2</sup> In addition to commercial insurers (such as Anthem and Cigna) who offer health insurance products, the markets include non-commercial options and various other programs such as: employers who self-insure through Administrative Services Only ("ASO") products, Multiple Employer Welfare Arrangements ("MEWA"), state and local government insurance pools, and health insurance programs such as Medicare and Medicaid provided by the Federal or State Governments to qualifying individuals.<sup>3</sup>

Overall, a majority of Virginians participate in non-commercial health insurance plans or programs.<sup>4</sup> Another 2.5 million Virginia residents participate in the commercial health insurance markets for comprehensive medical insurance, including Medicare Advantage and Medicaid.<sup>5</sup> The commercial health insurance markets provide products falling into specific lines of business, which include: (a) individual comprehensive medical; (b) small group comprehensive medical; (c) large group comprehensive medical; (d) dental only; (e) Medicare supplement; (f) Medicare; and (g) Medicaid.<sup>6</sup> Numerous commercial insurers (including Anthem and Cigna) provide competing products covering some or all of these lines of business within Virginia. That is not to say, however, that all products and benefits are available universally throughout Virginia due

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<sup>2</sup> U.S. Census Bureau, July 1, 2015 population estimate.

<sup>3</sup> Econ. Analysis at 16. Medicare and Medicaid also are offered in some instances through commercial plans.

<sup>4</sup> The Bureau notes that it does not exercise regulatory authority within the non-commercial health insurance markets.

<sup>5</sup> This estimate is based on the sum of individuals in each of the following commercial insurance lines: individual comprehensive (0.5 million), small group comprehensive (0.4 million), large group comprehensive (0.5 million), Medicare Advantage (0.5 million), and Medicaid (0.6 million).

<sup>6</sup> Econ. Analysis at 10. For purposes of these product lines, "small group" generally consists of employers employing fewer than 50 employees, while "large group" consists of employers employing 50 or more employees.

to differences in service networks, coverages and product availability. These differences create local geographic markets for commercial health insurance within Virginia and caution against generalizations made on an aggregated statewide basis.

Complex changes continue to occur in the commercial health insurance markets. Recent shifts in the health care field – including consolidation of both insurers and health care providers - have affected the markets and their participants. The Affordable Care Act has imposed limitations on commercial insurance companies, including a requirement that commercial large group comprehensive medical coverage must be priced to produce a minimum medical loss ratio ("MLR") of 85% (or else the insurer must refund excess premiums to policyholders).<sup>7</sup> The markets also have seen employers choosing to self-insure (through ASO products). These changes have occurred under a patchwork of state and Federal regulations.

Anthem and Cigna are nondomestic insurance groups that currently participate in Virginia's health insurance markets through their subsidiaries. The companies and their subsidiaries provide Virginia consumers with a variety of commercial health insurance products. Depending upon the line of insurance, Anthem ranks among the largest health insurers in Virginia and holds considerable market share.<sup>8</sup> Cigna – which competes with Anthem across certain product lines and in certain localities – services a smaller number of consumers in Virginia.<sup>9</sup>

The Bureau has reviewed the potential competitive impact of the proposed merger in each commercial line. Anthem and Cigna's competition is most notable in commercial large group comprehensive medical products ("Large Group"), which include plans for employers with

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<sup>7</sup> Patient Protection and Affordable Care Act, Pub. L. No. 111-148, 124 Stat. 119 (codified in scattered sections of 42 U.S.C.).

<sup>8</sup> Econ. Analysis, Sched. I.

<sup>9</sup> *Id.* Cigna also has a large share of ASO product business (which is not regulated by the Bureau).

50 or more employees.<sup>10</sup> Based upon the Bureau's review, Large Group products cover a total of approximately 462,000 lives in Virginia.<sup>11</sup> Anthem and Cigna, which are both among the biggest insurers in the Large Group insurance market in Virginia, together account for approximately 25% of the statewide market for Large Group products.<sup>12</sup> Although Anthem also offers products in other lines of commercial health insurance, Cigna's business in these lines is limited or nonexistent.

B. *Overview of the Submissions to the Commission Regarding the Merger*

On July 24, 2015, Anthem announced a proposed \$54 billion merger with Cigna that would combine two of the nation's five largest insurers. The merger would combine the companies' services, products, and clients across the country, while seeking to maintain and expand each company's provider networks. The proposed merger is subject to review by the Department of Justice ("DOJ") at the national level for anticompetitive concerns, as well as at the state level by state insurance departments. The Bureau has reviewed the impact of the proposed merger in Virginia on policyholders and the general public.

As part of the proposed merger, Anthem submitted to the Commission its Pre-Acquisition Notification Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition ("Form E") on November 19, 2015.<sup>13</sup> The Form E includes Anthem's comments and position regarding the competitive impact of the merger in Virginia.

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<sup>10</sup> *Id.* at 24. The Bureau notes that Large Group insurance often appeals to mid-size companies (fewer than 1000 employees) who may be reluctant to self-insure, while many of the largest employers choose to self-insure with the assistance of ASO products.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> DCC No. 497108. Pursuant to 14 VAC 5-260-50, the Form E is confidential and was filed under seal as part of its Application.

Overall, Anthem claims that the merger will not substantially lessen competition or create a monopoly in the state.<sup>14</sup> This claim, in part, relies upon Anthem's purported application of the competitive standards set forth by the National Association of Insurance Commissioners ("NAIC") as required by § 38.2-1323 of the Code and 14 VAC 5-260-50 of the Commission's Rules Governing Insurance Holding Companies, 14 VAC 5-260-10 *et seq.* ("Rules"). Asserting that Cigna has a minimal statewide market share in most product lines, Anthem argues that the merger poses no competitive risk.<sup>15</sup> Anthem notes one exception – large group comprehensive insurance for which Cigna has a larger statewide market share – but maintains that the merger would have minimal impact on this product line because Anthem's statewide market share would not significantly increase.<sup>16</sup>

This assertion and Anthem's application of the NAIC standards in the Form E, however, is incorrect. As discussed below, the NAIC standards examine the concentration of the market in a particular line of insurance based on the combined market share of its four largest participants ("CR4").<sup>17</sup> If the CR4 is equal to or greater than 75% (suggesting a "highly concentrated" market), a merger involving an insurer with as little as 1% market share may result in a *prima facie* violation of the NAIC standards. Anthem's conclusions in the Form E, however, are not based on an appropriate CR4 analysis.<sup>18</sup> Given Anthem's claims regarding its significant market

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<sup>14</sup> Form E at 23.

<sup>15</sup> *Id.* at 17-23. Anthem's analysis is limited to aggregate premium dollars for insurers and HMOs per commercial health insurance product line on a statewide basis.

<sup>16</sup> *Id.* at 19.

<sup>17</sup> Econ. Analysis at 14.

<sup>18</sup> *Id.* at 5. Although the analysis does not follow the NAIC standards, the Bureau notes that Anthem did not have access to data that would have allowed such an analysis. As explained below, the Bureau's economist had the benefit of data obtained from a special data call to conduct his analysis. In contrast, Anthem's analysis was limited to Statewide Annual Statement data, which is insufficient to perform a competitive analysis under accepted standards.

share in this line, the merger would constitute a *prima facie* violation of the NAIC standards even if Cigna's market share is minimal if the CR4 shows that the market is "highly concentrated".

As part of the Form E, Anthem also suggests that the merger will benefit policyholders and the public. This suggestion relies on general statements of anticipated benefits, such as claims of expanded access, cost savings, improved efficiencies and better administrative functions.<sup>19</sup> Anthem further relies on claims about the existence of competitors in the health insurance markets and certain market constraints (such as competitive pressures imposed by MLR and the ASO market). Anthem, however, does not provide specific examples or metrics to examine these anticipated benefits.

Following Anthem's submission of the Form E, the Commission received comments expressing concerns about the merger – including opposition from health care provider and hospital groups.<sup>20</sup> While challenging Anthem's arguments, none of the commenters analyze the merger under the NAIC standards. Rather, the commenters rely on third-party analyses that aggregate all product lines together on a statewide basis (rather than analyze the competitive effect for each product line). The NAIC standards do not support this aggregate approach – which ignores market differentiation and lack of substitutability between product lines.

The commenters largely focus on anticipated harms to policyholders and the public. Among other things, the commenters argue that Anthem will use its increased market power to raise premium rates or exercise dominant market power over health care providers to control health care costs, availability of service, or even quality of care.

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<sup>19</sup> Form E at 4-5 and 20-21.

<sup>20</sup> DCC Nos. 501514, 502479, 503024, 503234, 503358, 503364, 503414, 503418, 503382, 503383, 503453, 503494, and 503545.

Anthem filed its response to the public comments on May 24, 2016.<sup>21</sup> The response reiterates many of the arguments in the Form E. Countering the commenters' concerns, Anthem claims that the merger would help consumers by allowing the combined entity, in part, to combat rising costs caused by increased concentration among health care providers and hospitals. As in the Form E and the commenters' arguments, however, Anthem's response lacks any competitive analysis under the appropriate standards.

C. *Review of Insurance Company Mergers and the Bureau's Approach*

The Insurance Code under Title 38.2 of the Code and its supporting Rules authorize the Commission to review insurance company mergers in Virginia and provide the standards for such review. Section 38.2-1323 B of the Code allows the Commission to review a merger or acquisition not involving a change in control of a domestic insurer. This section requires a two-step inquiry: (a) if the merger or acquisition causes or tends to cause a substantial lessening of competition in any line of insurance ("competitive impact"); and (b) such lessening of competition is detrimental to policyholders or to the public in general ("detrimental impact").

When making a determination under § 38.2-1323 of the Code, Rule 14 VAC 5-260-50 allows the Commission to consider several items. First, the Commission may consider whether the merger would violate the applicable competitive standards promulgated by the NAIC. Second, the Commission may consider the opinion of an economist as to the competitive impact of the merger. Third, the Commission may take into account other considerations, such as competitive standards used by the federal government when evaluating market structure and the

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<sup>21</sup> DCC No. 503818.

competitive impact of potential mergers (including the Herfindahl-Hirschman Index ("HHI") used by the DOJ and Federal Trade Commission ("FTC") to evaluate mergers).<sup>22</sup>

The Bureau retained an economist to analyze the competitive impact of the merger and prepare a report of his conclusions. The economist first analyzed the merger applying the NAIC Model Act standards to market information collected from insurers as part of a special data call conducted specifically for this matter. The NAIC Model Act provides varying standards for merger guidelines that depend on the concentration of a specific line of insurance within a particular market based on the four largest participants (CR4). Using aggregate premiums, the NAIC standards identify markets on a statewide basis as "highly concentrated" when the CR4 equals or is greater than 75%, while markets that have a CR4 less than 75% are identified as "not highly concentrated". Depending on whether a market is "highly concentrated" or "not highly concentrated", the NAIC standards consider the market share of the acquiring company and the market share of the acquired company to determine if there is *prima facie* violation suggesting a competitive impact.<sup>23</sup>

Although not required under § 38.2-1323 of the Code, the economist also analyzed the proposed merger using HHI under the Federal Guidelines. Unlike the NAIC standards that define the market based on the four largest participants (CR4), HHI considers and measures the relative market positions of *all participants* in a given market. The analysis employs a formula that uses market share to produce a range of values that are used to identify markets as "unconcentrated" (HHI below 1500), "moderately concentrated" (HHI between 1500 and 2500) or "highly concentrated" (HHI above 2500).

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<sup>22</sup> See *Horizontal Merger Guidelines* (issued Aug. 19, 2010, by U.S. Dept. of Justice and Fed. Trade Comm'n), available at <https://www.justice.gov/atr/public/guidelines/hmg-2010.pdf> ("Federal Guidelines").

<sup>23</sup> Econ. Analysis at 14.

Depending upon the concentration of the market, HHI provides guidelines for interpreting mergers by examining changes in concentration within the market to assess the likelihood of adverse competitive effects.<sup>24</sup> For "moderately concentrated" markets, an increase in the HHI of more than 100 points potentially raises significant competitive concerns and often warrants scrutiny. For "highly concentrated" markets, an increase in the HHI between 100 and 200 points raises the same concerns, while an increase in the HHI of more than 200 points will be presumed likely to enhance market power.<sup>25</sup>

For purposes of reaching a competitive impact determination under § 38.2-1323 of the Code, the Bureau notes that the economist: (a) applied industry accepted criteria and bright line tests that tend to be objective in nature; and (b) then applied best practices to subjectively evaluate the product and geographic markets that failed the bright line standards. The results of the analysis provides a *prima facie* violation of the competitive standards or the potential likelihood (or presumption) of competitive harm. The NAIC standards and HHI provide guidance on competitive impact and may shift the burden to the acquiring party to show that a proposed merger is unlikely to affect competition adversely. The standards are not rigid indicators of adverse competitive impact and mainly serve as an aid to interpreting market data.<sup>26</sup>

If the first step shows competitive impact, the second step considers whether the lessening of competition would cause a detrimental impact to policyholders and the public in general. The detrimental impact analysis is more subjective – broadly considering the potential harms to policyholders and the public, as well as factors (such as market restraints, barriers to

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<sup>24</sup> *Id.* at 14-16.

<sup>25</sup> Fed. Guidelines at 19.

<sup>26</sup> See Federal Guidelines at 19 (stating that thresholds do not provide "a rigid screen to separate competitively benign mergers from anticompetitive ones", but instead provide "one way to identify some mergers unlikely to raise competitive concerns and some others for which it is particularly important to examine whether other competitive factors confirm, reinforce, or counteract the potentially harmful effects of increased concentration").

entry, efficiencies and other factors) that may mitigate or exacerbate the likelihood of those harms. Although detrimental impact examines the effect of potential harm, it is important to remember that the existence of a competitive impact raises presumptive harm in the form of decreased competition. As such, approval of the merger is not appropriate unless the detrimental impact analysis decreases the likelihood of harm and tilts the analysis in favor of approval.

The Bureau notes that the economist's analysis differs from the limited analyses offered by Anthem and the commenters. At the outset, the economist's analysis relied on information obtained by the Bureau as part of a special data call conducted specifically for this matter. The information obtained allowed the economist to maintain consistent classification of product lines for more accurate comparisons. As required under the applicable standards, the economist also analyzed competitive impact in each line of commercial insurance rather than aggregating all lines of insurance together. The economist did not limit review to a statewide analysis, but broke the markets down into geographic regions using three-digit postal codes to analyze competitive differences in local markets.<sup>27</sup> Further, the economist did not limit analysis of market share and concentration to aggregate premium data. Instead, the economist used the number of lives insured as a superior measure of market structure and concentration.<sup>28</sup> Conducting an analysis using the NAIC standards and HHI as well as examining the market structure for geographic areas identified as problematic, the economist provided the Bureau with a more detailed assessment of the potential competitive impact of the merger in Virginia.

## II. Analysis of the Proposed Merger

Applying the standards of § 38.2-1323 of the Code and associated Rules, the competitive impact analysis shows that the merger may cause or tend to cause a substantial lessening of

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<sup>27</sup> Econ. Analysis at 9-13.

<sup>28</sup> *Id.* at 10.

competition in Large Group insurance in Virginia on both an aggregated statewide and localized basis. Based on the information available to date, the detrimental impact analysis suggests that the lessening of competition would be detrimental to policyholders or the public in general. Notwithstanding speculative claims of anticipated benefits or harms, Anthem has not adequately addressed potential harms flowing from the competitive impact of the merger, including premium increases and any effect on services. Although Anthem may be provided with an opportunity to address these concerns, the Bureau at this time recommends that the merger is not in the best interests of policyholders or the public in general for failure to meet the requirements of § 38.2-1323 of the Code.

A. *The Competitive Impact Analysis Shows a Substantial Lessening of Competition in the Market for Large Group Comprehensive Insurance*

Based upon the economist's analysis, the merger may cause or tend to cause a substantial lessening of competition in Large Group insurance. The economist found a *prima facie* violation of the NAIC standards on an aggregated statewide basis, as well as in twelve of 28 zip code areas in Virginia.<sup>29</sup> Similarly, analysis under HHI shows the merger: (a) potentially raises significant competitive concerns on a statewide basis and in two zip code areas; and (b) is presumed to be likely to enhance market power in an additional eight zip code areas.<sup>30</sup> Overall, the competitive impact analysis shows that the merger fails both standards on an aggregated statewide basis as well as in ten of 28 zip code areas – with the bulk of those areas comprising central Virginia (the Richmond metropolitan and Tri-Cities area) as well as northwestern and southwest Virginia.<sup>31</sup>

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<sup>29</sup> *Id.* at 24-25.

<sup>30</sup> *Id.* at 25-26. These findings are based on the economist's determination that the merger would result in a market that is: (a) "moderately concentrated" statewide with an increase in HHI that is greater than 100 points; (b) "highly concentrated" in two zip code areas with an increase in HHI that is between 100 and 200 points; and (c) "highly concentrated" in eight zip code areas with an increase in HHI that is above 200 points.

<sup>31</sup> *Id.* at 26.

The results for Large Group insurance occur because of several factors. First, Anthem is among the largest commercial carriers for Large Group insurance in Virginia and maintains significant market share.<sup>32</sup> Unlike its other lines of commercial insurance in Virginia, Cigna has a higher market share in Large Group insurance. Second, the combination of these market shares would occur in statewide and local markets that have higher levels of concentration.<sup>33</sup> As a result, the competitive impact under both standards triggers competitive concerns requiring further examination under the detrimental impact analysis.

Before addressing detrimental impact for the Large Group insurance market, the Bureau notes that the competitive impact analysis does not show a potentially lessening of competition for other lines of commercial health insurance. As explained within the Economic Analysis report, the lack of competitive impact in most commercial lines of insurance occurs because: (a) Cigna's market share statewide or locally in these lines is minimal or nonexistent; and/or (b) the concentration of the local markets is not such that the merger will significantly increase Anthem's competitive position as defined under the applied standards.

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<sup>32</sup> The Bureau notes the substantial difference between Anthem's market share cited in the Form E and the market share cited in the Economic Analysis. The difference, however, results from the use of different market data. Anthem's analysis was limited to Statewide Annual Statement data that use market and product line definitions that are inconsistent with the analyses here. The Economic Analysis relies on market data collected specifically for this matter. The significantly lower market share identified in the Economic Analysis, however, still raises competitive concerns under the applicable analyses.

<sup>33</sup> The analysis under the NAIC standards shows that the aggregated statewide market is not "highly concentrated" (although the CR4 is just shy of the 75% threshold for "highly concentrated" markets). Nevertheless, Anthem's significant market share in this line means that the merger with Cigna would violate the NAIC standards even if Cigna had only a 1% market share. Application of the NAIC standards at the local level shows "highly concentrated" markets in certain zip code areas – meaning that the threshold for a violation is even narrower. Regarding the HHI analysis, the statewide market is "moderately concentrated" – with local markets varying from "unconcentrated" to "highly concentrated" markets. Econ. Analysis at 24-25. As with the NAIC standards, however, the higher market shares of Anthem and Cigna in this line of insurance result in a combination that raises competitive concerns under the HHI standard.

B. *The Detrimental Impact Analysis Suggests Potential for Harm*

Having determined that the merger may lessen competition, the next question is whether such lessening is detrimental to policyholders or the public in general. While the existence of a competitive impact presumes harm in the form of reduced competition, the detrimental impact analyzes the effects of that harm as well as factors that tend to increase or decrease the possibility of such effects. The harm includes Anthem's use of increased market share to raise premiums and to adversely impact policyholders, such as reduced network availability or decrease in the quality of service. Numerous factors may exacerbate these harms (such as barriers to entry) while others may mitigate the impact (such limitations imposed by the ACA or efficiencies realized by the merger). Although the ultimate influence of these factors is inconclusive, the existence of a competitive impact without sufficient grounds to indicate a lessening of potential harm suggests that the merger is not in the best interests of policyholders or the public in general.

As a preliminary matter, the effects of any harm would occur within concentrated commercial health insurance markets with limited participants. Anthem holds significant market share among these participants – particularly in the Large Group insurance market, within which the company is among the largest insurers statewide and in most of the affected local markets. At the same time, the markets – while concentrated – include other competitors holding sizeable market shares. The affected policyholders in localities where the merger poses a risk to competition comprise an appreciable number of Virginia residents –accounting for approximately 35% of the total lives insured statewide under the Large Group insurance line.

Regarding potential harms, a significant concern is that policyholders would suffer an increase in their premium rates. Having increased its market share through the merger, Anthem could more easily use enhanced market power to raise premiums in a concentrated market.

Anthem mostly avoids discussion of premium concerns in its Form E and subsequent response – focusing instead on general claims of cost savings and other anticipated efficiencies that may be passed on to consumers. Anthem does not support these claims with data, metrics or methodologies. Anthem instead appears to discount any potential harm by relying on its (incorrect) conclusion that the merger would not result in competitive harm.

Another concern is that Anthem's increased market share would impact health care provider networks and reduce the quality of service provided to consumers. Despite Anthem's general claims that the merger should expand network availability, Anthem offers little guidance as to whether consumers may remain in their existing networks or whether network availability may decrease in some areas as a result of the merger. An additional concern is reduction in the quality of service – such as the potential for lowered reimbursement rates to health care providers and reduced covered benefits and health care services (or higher out-of-pocket costs) for insureds. The lessening of competition lowers Anthem's incentive to respond to market demands while also increasing its leverage over health care providers in a manner that may lead to reductions in network availability and quality of service.

The effects of the potential harms are exacerbated by a number of factors. Barriers to entry are likely to prevent new competition from entering the market. The concentration of the market, the small number of existing competitors, and the highly regulated nature of the market decrease the likelihood of new market participants. The infrastructure required – including access to providers and network availability – also suggests that start-up companies are unlikely to enter the market. The effects of any harm thus could become entrenched in a market effectively closed to new entrants.<sup>34</sup> Another exacerbating factor is that the buyers of Large Group insurance – mid-size companies that are not large enough to self-insure – may comprise a

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<sup>34</sup> Anthem, without further analysis, simply has stated that the merger "will not prevent any person from entering the comprehensive large group line of business in Virginia." Form E at 21.

captive group for which few (if any) viable health care insurance alternatives exist to exert competitive pressure.

In contrast, certain mitigating factors may decrease the effects of potential harm. These factors include anticipated benefits of the merger – such as increased efficiencies, expanded availability of products and services, increased access to health care providers (such as through expanded networks), and lowered costs and rates. External market pressures or constraints also may lessen the likelihood of increased rates or adverse impact on service. These constraints include provisions of the ACA, such as MLR limitations which require Large Group insurers to spend 85% of premiums on claims and may pass cost savings along to consumers. Another constraint under the ACA is its predefined levels of coverage that establish essential health benefits – which constrain an insurer's ability to reduce coverages or services below the minimums established under the ACA.

The mitigating factors, however, have weak points in their effectiveness to curb competitive impact. For example, the competitive impact of MLR requirements should not be overstated. MLR does not guarantee lower premiums or protect against higher ones – rather, MLR only sets a floor for the percentage of premiums that must be used regardless of the amount of the premiums themselves. The Bureau also is mindful that the arguments raised by Anthem and the commenters largely arise from conflicts between two major groups of stakeholders (insurers and providers) in the health care market – each arguing that increasing their own concentration will benefit the public while an increase in the concentration of the other stakeholder will harm the public. These arguments highlight broader problems within the health care market – but much of the ability to balance the scales lies beyond the Bureau's regulatory authority.

The Bureau has reviewed the potential harms, factors, benefits and constraints argued by Anthem and the commenters opposing the merger. Many of these arguments are inconclusive and lack verification. Such generalized arguments should not be given undue weight without additional evidence supporting those arguments.<sup>35</sup>

On balance, however, the Bureau's position is that Anthem has not made a sufficient showing in favor of the merger. The competitive impact analysis shows a lessening of competition. This finding presumes competitive harm that the detrimental impact analysis – while inconclusive – has not overcome. The burden is to demonstrate – upon a showing of competitive impact – that the lessening of competition as a result of the merger will not harm policyholders or the public in general. The burden has not been satisfied based on the information available and the Bureau recommends at this time that the merger is not in the best interests of policyholders or the public in general.

### III. The Bureau's Recommendation Regarding Relief

Section 38.2-1323 of the Code authorizes the Commission to suspend an insurer's license if a merger causes or would tend to cause a lessening of competition in any line of insurance and such lessening of competition is detrimental to policyholders or the public in general. For the reasons set forth above, the merger proposed by Anthem fails to satisfy the standard required by § 38.2-1323 of the Code.

The Bureau, however, recommends that the Commission allow Anthem thirty days to respond to this Report and provide any additional information that may support its request. This recommendation is based, in part, on Anthem's previous failure to identify a competitive impact under the applicable standards. As part of its response, the Bureau further recommends that

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<sup>35</sup> See Federal Guidelines at 30 ("Efficiency claims will not be considered if they are vague, speculative, or otherwise cannot be verified by reasonable means."). The Federal Guidelines further require "merging firms to substantiate efficiency claims" to allow the reviewing agency to "verify by reasonable means the likelihood and magnitude of each asserted efficiency, how and when each would be achieved (and any costs of doing so), how each would enhance the merged firm's ability and incentive to compete, and why each would be merger-specific." *Id.*

Anthem include proposals that may alleviate the competitive concerns expressed above – such as specific and measurable proposals concerning premium rates as well as maintaining network access and quality of service for existing policyholders.

AN ECONOMIC ANALYSIS  
OF THE MARKET STRUCTURE  
AND LIKELY EFFECT ON COMPETITION  
IN THE COMMONWEALTH OF VIRGINIA  
AS A RESULT OF THE ACQUISITION OF  
CIGNA CORPORATION BY ANTHEM, INC.

CASE NO. INS-2015-00154

PREPARED BY:

GLENN A. WATKINS  
EXECUTIVE V.P./SENIOR ECONOMIST  
TECHNICAL ASSOCIATES, INC.

PUBLIC VERSION

(ALL SHADED AREAS CONTAIN CONFIDENTIAL  
INFORMATION THAT IS REDACTED IN THE PUBLIC VERSION)

JULY 2016

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## EXECUTIVE SUMMARY

On November 19, 2015, Anthem, Inc., filed its Form E Competitive Impact Statement regarding its proposed acquisition of Cigna Corporation with the State Corporation Commission's Bureau of Insurance ("BOI"). Pursuant to § 38.2-1323(B) of the Code of Virginia ("Code"), in reviewing the Form E, the BOI considers whether the proposed acquisition causes or tends to cause a substantial lessening of competition in any line of insurance and whether such lessening of competition is detrimental to policyholders or the public in general. This report is a result of the study conducted by Technical Associates, Inc. ("TAI"), together with data collection and analysis support from the BOI Staff for the purpose of making a determination concerning the likely competitive impacts of the proposed acquisition.

In order to evaluate the impact of the proposed acquisition on competition in health insurance, seven (7) product lines or sublines in Virginia were reviewed, as follows: Individual Comprehensive Medical, Small Group Comprehensive Medical, Large Group Comprehensive Medical, Dental Only, Medicare, Medicare Supplement, and Medicaid.

Also, in recognition of the fact that different geographical markets exist for health insurance within the Commonwealth, a data call was developed to obtain health insurance market data in Virginia and structured to separate reported data based upon geographical regions in the state. After considering several options to best support a meaningful analysis of the impact of the merger on different areas within Virginia, it was determined that 3-digit ZIP code areas, resulting in 28 regions, would provide sufficient geographic differentiation.

In determining whether the merger causes a substantial lessening of competition, consideration of the applicable competitive standards promulgated by the National Association of Insurance Commissioners ("NAIC"), as well as changes to the calculated Herfindahl Hirschman Indices ("HHI") used by the U.S. Department of Justice and the Federal Trade Commission ("DOJ/FTC") was given. Both the NAIC standards and the DOJ/FTC standards were applied to each of the seven lines or sublines in each of the 28 3-digit ZIP code areas.

As is indicated in the following report, the evaluation and analysis of the data, together with the full consideration of statutory and regulatory requirements in Virginia applicable to the proposed acquisition, revealed that the proposed acquisition did not cause or tend to cause substantial lessening of competition in the Individual, Small Group Comprehensive Medical, Medicare, Medicare Supplement, Medicaid and Dental Only lines of insurance, but that the

proposed acquisition does cause or tend to cause a lessening of competition in the Large Group Comprehensive Medical line of insurance.

Pursuant to § 38.2-221.1 of the Code of Virginia confidential proprietary information submitted to the Commission by respondents to the data call has been redacted.

**AN ECONOMIC ANALYSIS  
OF THE MARKET STRUCTURE  
AND LIKELY EFFECT ON COMPETITION  
IN THE COMMONWEALTH OF VIRGINIA  
AS A RESULT OF THE ACQUISITION OF  
CIGNA CORPORATION BY ANTHEM, INC.  
CASE NO. INS-2015-00154**

**I. INTRODUCTION**

On November 19, 2015, Anthem, Inc. (the Applicant) filed a Pre-Acquisition Notification Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition by a Non-Domiciliary Insurer Doing Business in this State or by a Domestic Insurer ("Form E") for the acquisition of Cigna Corporation ("Cigna") by Anthem, Inc. ("Anthem"). Pursuant to 14VAC5-260-50, the Bureau of Insurance ("BOI") engaged its consulting economist, Glenn A. Watkins of Technical Associates, Inc. ("TAI") to conduct an independent study focusing on the Virginia market structure and level of competition that currently exists, and which will likely prevail if the acquisition is approved. This report is a result of a study conducted by TAI, together with data collection and analysis support from the BOI Staff for the purpose of making a determination concerning the likely competitive impacts of the proposed acquisition.

The analyses was conducted in accordance with the Virginia Administrative Code 14VAC5-260-50, specifically, 14VAC5-260-50(D)(2) which states:

In determining whether competition may be negatively impacted, the commission may consider, among other things, whether applicable competitive standards promulgated by the NAIC have or may be violated as a consequence of the acquisition. The standards may include any indicators of competition identified or enumerated by the NAIC in any model laws or portions of practice and procedure or instructional manuals developed to provide guidance in regulatory oversight of holding company systems, mergers and acquisitions, or competitive practices within the marketplace. The standards include definitions, guidelines, or standards embodied in any model holding company act or model holding company regulation adopted by the NAIC. In addition, the commission may request and consider the opinion of an economist as to the competitive impact of the acquisition whenever pre-acquisition notification is submitted pursuant to § 38.2-1323 B of the Act.

In conducting this study, TAI first examined the Applicant's Form E, including its data sources and analyses. Next, further analyses based upon the guidelines set forth in the NAIC Model Insurance Holding Company System Regulatory Act (§440) ("Model Act") as adopted in 14VAC5-260-50(D)(2) was conducted. TAI's analyses also incorporated other accepted economic industry standards for measuring market structure and levels of competition, as permitted by 14 VAC5-260-50(D)(2). These further evaluations included the application of Herfindahl Hirschman Indices ("HHI") by product and geographic market as well as other criteria specific to unique insurance products.

It should be noted that the investigation and analyses used in preparing this report were limited to only commercial insurance writers and products. This does not include Administrative Services Only ("ASO") products offered by commercial insurers in Virginia. These products are considered self-insurance wherein employers contract only for administrative services from commercial insurers such that all risks of losses and benefits are borne and paid for by the self-insured entity. In addition, commercial insurance does not include health insurance offered by employers through Multiple Employer Welfare Arrangements ("MEWA"), state and local government insurance pools, and any health insurance provided by the Federal Government to active duty military personnel, Veterans Administration, TriCare and Medicare.

## II. APPLICANT'S ANALYSIS OF COMPETITIVE IMPACTS

The Applicant's Form E contains a narrative of the market structure of the affected lines of insurance that it identified as being non-exempt under 14VAC5-260-50(B)(2)(d). Lines are exempt under this section for acquisitions if:

. . . as an immediate result of the acquisition:

- (1) In no market would the combined market share of the involved insurers exceed 5.0% of the total market;
- (2) There would be no increase in any market share; or,

- (3) In no market would the combined market share of the involved insurers exceed 12% of the total market, and the market share increase by more than 2.0% of the total market.

For the purpose of this subdivision, a market means direct written insurance premium in this Commonwealth for a line of business as contained in the Annual Statement required to be filed by insurers licensed to do business in this Commonwealth.

In conducting its analysis, the Applicant relied upon State-wide financial data contained within the NAIC Annual Statements. The Applicant purchased commercial health insurance financial data from SNL Corp. as the source for its analysis.

Pursuant to 14VAC5-260-50, the Applicant identified five annual statement lines as being non-exempt, necessitating the filing of the Form E analysis: comprehensive individual, comprehensive small group, comprehensive large group, Medicare Supplement and standalone vision lines of business.

In previous merger cases, applicants have typically provided evidence and analysis of the exemption criteria demonstrating that the Form E filing is properly limited to the identified impacted lines. The BOI tests the applicant's data and calculations to determine the accuracy of the identification of these exempted markets, and thus the veracity of the competitive analysis that usually follows. In this particular case, the expected documentation was not provided in the Applicant's Form E, nor was it provided in a format that was usable to TAI following subsequent requests for this documentation. Consequently, complete testing and analysis of the financial data cited by the Applicant in claiming exemption for the other markets as identified in the NAIC annual statement was necessary.

Ordinarily, an applicant would conduct analysis for each market based upon the definitions contained in three separate NAIC Annual Statement forms, the Life and Accident & Health blank (LAH), the Property & Casualty blank, and the Health Only blank. Definitions of accident and sickness insurance in the Property and Casualty blank match exactly those in the Life and Accident & Health blank. In the absence of clear documentation that these steps had been performed by the

Applicant, it was necessary to compile the necessary data and evaluate each market from the NAIC database for each Annual Statement Form.

Based on the financial data submitted by commercial insurers to the NAIC for Calendar Year 2014, premiums and market shares for the companies associated with the Form E application are provided in Schedule 1 (consisting of four pages). Utilizing this information in conjunction with the market definitional framework set forth in 14VAC5-260-50, TAI determined that a Form E analysis should have been performed for Group Health Insurance and Other Health Insurance (from the Health Only Blank) lines of business. This finding is not consistent with the determination made by the Applicant that the five non-exempt lines were comprehensive individual, comprehensive small group, comprehensive large group, Medicare Supplement and standalone vision lines of business.

The inconsistency noted above may be a result of the numerous definitions of lines of business in the three different NAIC Annual Statement Blanks. However, it was observed that the Applicant did obtain information from NAIC supplemental exhibits ordinarily overlooked in most competitive analyses of NAIC financial data. These exhibits entitled Medicare Supplement Exhibit and the Supplemental Health Insurance Exhibit, report data from insurers on a more specifically-defined basis than that reported in the main Annual Statement Blanks. Based on this additional data, the Applicant has provided analysis for the comprehensive medical market broken into three sublines: Comprehensive Individual, Comprehensive Small Group, and Comprehensive Large Group. In addition, the Applicant provided analyses relating to Medicare Supplement and Vision Only markets, as these were the markets also identified in its Form E analysis. By incorporating information on the three comprehensive medical sublines as well as on Medicare Supplement and Vision Only, the Applicant performed more detailed analyses in an attempt to identify information that would assist in evaluating the potential impact on competition.

TAI reviewed the data relied upon by the Applicant and found its source data to be accurate. However, even though the data utilized by the Applicant reflects the best data available to market participants, reliance on NAIC Annual Statement data alone does not allow for a complete determination, or thorough evaluation of, different health insurance geographic and/or product

markets within Virginia. Because the Form E filing requirements were met, TAI, with the assistance of BOI staff, performed an in depth analysis as allowed by 14VACS5-260-50 of each line of insurance as described more thoroughly below.

### III. TAI STUDY APPROACH

#### A. Inadequacy of Annual Statement Financial Data

In Virginia, insurers writing what is broadly considered health insurance have the option of reporting financial information on one of three different NAIC Annual Statement forms: (1) Property and Casualty ("P&C"); (2) Life and Accident & Health ("LAH"); and (3) Health Only ("Health"). The P&C and LAH forms classify the various health lines of insurance in a similar manner. However, the Health form classification is substantially different from the P&C and LAH forms. The following table summarizes each form's classification of various lines (categories) of health insurance:

<b>NAIC LINE OF BUSINESS CLASSIFICATIONS</b>		
<b>Life and Accident/Health Form</b>	<b>Health Only Form</b>	<b>Property and Casualty Form</b>
Group Policies	Group Comprehensive	Group Policies
Federal employees health benefits plan premium	Federal employees health benefits plan premium	Federal employees health benefits plan premium
Credit (group and individual)		Credit (group and individual)
Collectively renewable policies		Collectively renewable policies
Medicare Title XVIII exempt from state taxes or fees		Medicare Title XVIII exempt from state taxes or fees
Non-cancellable (other individual policies)		Non-cancellable (other individual policies)
Guaranteed renewable (other individual policies)		Guaranteed renewable (other individual policies)
Non-renewable for stated reasons only (other individual policies)		Non-renewable for stated reasons only (other individual policies)
Other accident only (other individual policies)		Other accident only (other individual policies)
All other (other individual policies)		All other (other individual policies)
	Individual Comprehensive Dental Only Vision Only Medicare Supplement Title XVIII Medicare Title XIX Medicaid	

As can be observed from the table above, there is no direct comparison of lines of business across the various NAIC Annual Statement Forms. Notably, the only classification of insurance that is exactly comparable across all three reporting forms is the Federal Employees Health Benefit Plan. Even Group policies reported on the LAH form do not directly align with Group Comprehensive as reported on the Health form. While these reporting formats may well support the financial condition of a reporting insurer's solvency, it makes market structure analysis virtually meaningless. For example, an insurer writing Dental Only and reporting on the LAH

form may provide the same product as an insurer writing Dental Only that reports on the Health form. The insurer reporting on the LAH form has the option of reporting the premiums in any of eight non-specific categories. Thus, for those insurers electing to report premiums on the LAH form it would not be possible to identify Dental Only premiums. As a result, reliance solely on NAIC Annual Statements does not allow for a reasonable determination or evaluation of different economic product markets within Virginia.

Another shortcoming of relying solely on the NAIC Annual Statement forms is that premiums reported on all three of the NAIC Annual Statement Forms are provided only on a State-wide basis. In evaluating the market structures of various types of health insurance and potential impacts on competition as a result of a merger/acquisition, another factor that should be considered is the fact that there are distinctly different and separate economic geographic markets within Virginia. Due to the existence of HMOs, PPOs, and managed care networks, specific geographic service networks exist throughout the State. As a result, these networks are comprised of a varying mix and number of insurers. In short, there are distinct and separate health insurance geographic markets within Virginia such that reliance solely on State-wide data will not adequately consider differences that may exist in market conditions across the State.

## **B. Special Data Call**

As a result of the shortcomings identified within State-wide inconsistent financial data provided with the NAIC Annual Statements, it was determined that a special data call from insurers was required in order to effectively evaluate the current and potential status of competition by relevant product and geographic markets across Virginia. In developing this special data call, it was first necessary to develop a consistent classification of various lines and sublines of health insurance. After consultation with the BOI's Life and Health Division, it was determined that the impact on Virginians could best be measured if the lines or sublines were classified as follows:

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**Special Data Call Classifications<sup>1</sup>:**

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Individual Comprehensive Medical  
 Small Group Comprehensive Medical  
 Large Group Comprehensive Medical  
 Dental Only  
 Medicare Supplement  
 Medicare  
 Medicaid

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Based on the above classifications, the special data call instructions requested insurers to report to the BOI the number of insured lives located in Virginia by specific geographic area.<sup>2</sup>

In developing and conducting the special data call, it was the opinion of both TAI and the BOI that reporting the number of lives insured by carrier provides a better measure of market structure than reporting on a financial measure (direct premiums written). When possible, economic industrial organization and anti-trust studies are invariably conducted utilizing units, rather than revenues. As an example, motor vehicle manufacturer market shares and concentrations are almost always expressed in terms of number of vehicles (units) sold or registered, rather than the revenue produced from new vehicle sales. Furthermore, if market power or product differentiation does exist within a specific geographic and product market, economic analysis based solely on revenue may result in an inaccurate evaluation of market structure and levels of competition.

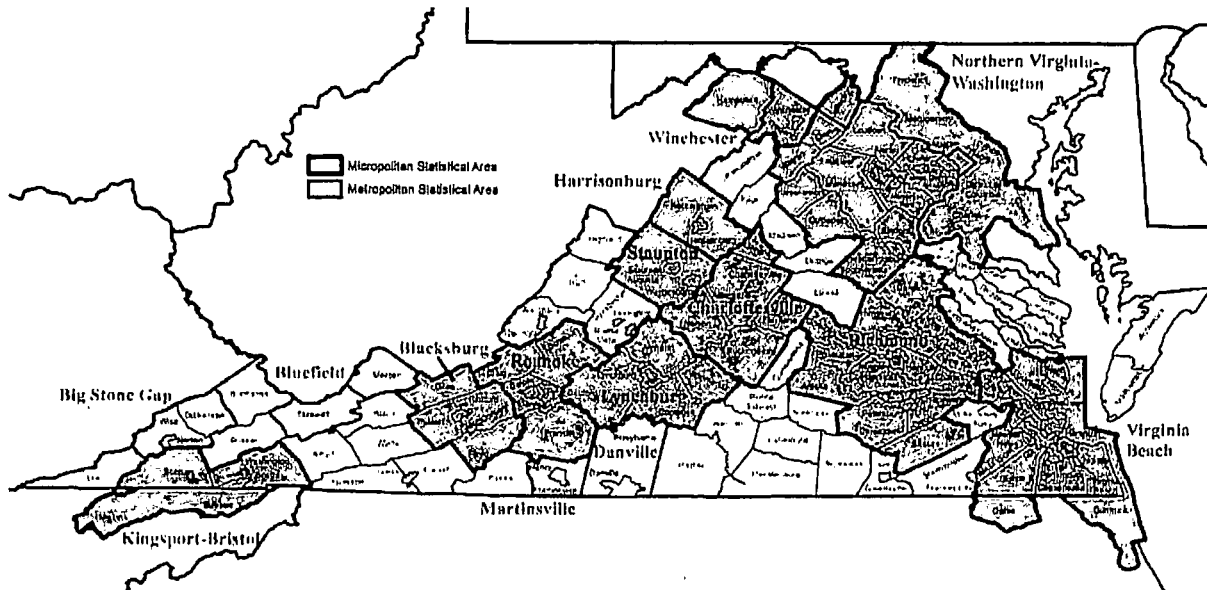
Because it is known that different geographic markets exist for health insurance within the Commonwealth, the special data call was structured to separate reported data based on specific geographic areas within the State. In order to define the specific geographic areas within the special data call, a number of options were considered. The first potential geographic separation considered was separation by Metropolitan Statistical Areas ("MSA"). However, as shown in Map 1 below, there are several counties within Virginia that are not included within a defined MSA (the gray areas on the map). Furthermore, the standard MSAs may include geographic areas outside of the Commonwealth; e.g., Washington D.C. MSA.

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<sup>1</sup> Specific definitions for each classification are provided in the Appendix (Data Call Instructions).

<sup>2</sup> See Appendix for specific special data call instructions.

Map 1



For this reason, MSAs were not selected as a reasonable definition of health insurance geographic markets within the Commonwealth.

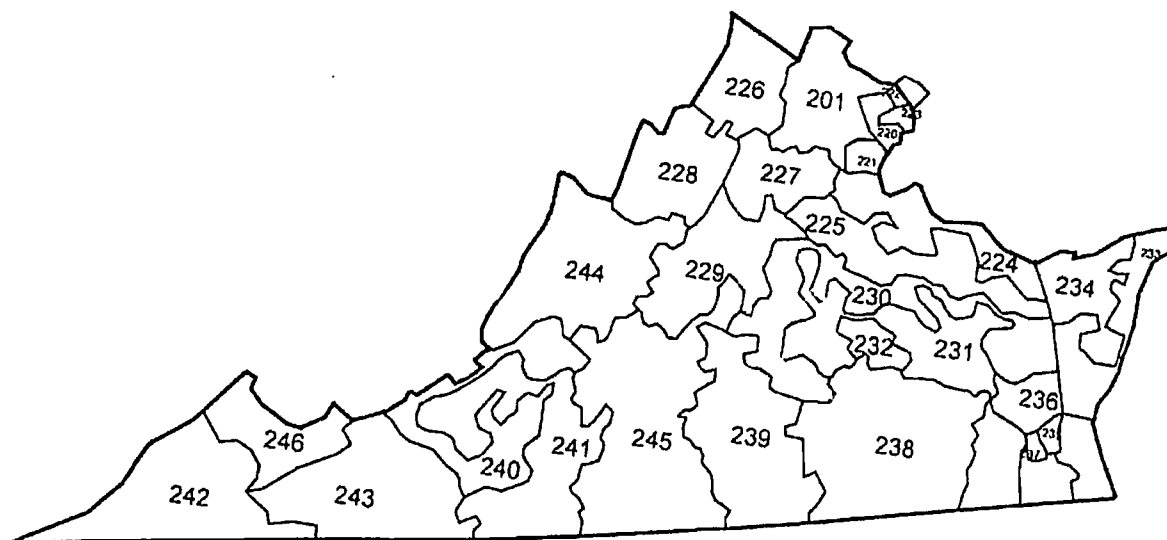
The second potential geographic measure considered was individual political jurisdictions; i.e., counties and cities. This definition was eliminated from consideration due to the fact that insurers typically do not maintain data on a county/city basis as well as the likelihood that a county/city determination may be too narrowly defined, particularly in urban and suburban areas of the State.

The third potential geographic measure considered was 5-digit ZIP code areas in Virginia. This measure is one that would be readily available in every insurer's policy information system, making reporting and aggregation of insured lives or premiums written by each insurer available for the special data call. However, considering that there are 1,241 distinct ZIP codes in Virginia, aggregation and reporting of meaningful analysis on this very small level would be difficult and would carry little credibility of results.

The final, and ultimately selected, geographic measure is the lead 3-digit ZIP code areas ("ZIP code area") in Virginia. There are 28 distinct ZIP code areas in Virginia in which people

reside.<sup>3</sup> Since insurers maintain 5-digit ZIP codes, it was a relatively simple programming exercise for insurers to aggregate and report their policyholder information on this basis. This method was employed in an earlier data call issued by the BOI in 2011 for the purposes of determining the appropriateness of a minimum loss ratio waiver for insurance covered under the Affordable Care Act. Based on the success of this previous data call, leading 3-digit ZIP code area reporting was selected for this special data call as well. As Map 2 below demonstrates, ZIP code areas provide enough geographic differentiation to enable meaningful analysis to be conducted of potential impacts on different geographic areas within Virginia.

**Map 2**



It was then necessary to identify those insurers with enough market presence to provide a thorough analysis of the various product and geographic markets to be studied. As of 2014, there were almost 400 (389) insurers reporting any level of Accident and Health (“A&H”) business in Virginia.<sup>4</sup> Because several insurers have very little presence in Virginia in terms of premiums written, two minimum thresholds were established to identify carriers with sufficient market presence to respond to the special data call.

<sup>3</sup> The special data call identified one ZIP code area in Virginia (205) that is assigned to the Department of Homeland Security. The specific ZIP code associated with area “205” is 20598 with no population reported by the U.S. Census Bureau. As such, area 205 was eliminated from the analysis.

<sup>4</sup> Calculated from number of insurance companies reporting direct premiums written in Virginia.

First, it was determined that 50 carriers represented approximately 95% of the total A&H premiums written in Virginia. Therefore, the first criterion encompassed the 50 largest A&H writers (in terms of premium written in 2014) in the Commonwealth.<sup>5</sup> The second criterion was those carriers that represented the largest 25 writers of each classification of insurance as defined within the three NAIC Annual Statement forms. As a result, there were 92 insurers requested to respond to the special data call (which represents somewhat more than 96% of the total Virginia commercially insured written premiums reported to the NAIC in 2014). Responses were received from 85 of the 92 insurance companies receiving the special data call. The seven nonresponding companies wrote less than one-half of one percent of the total health insurance premiums written in 2014 as reported on NAIC Annual Statements.

Because affiliated insurance companies under common ownership writing the same types of insurance do not effectively compete against each other, the analyses were conducted on an insurance “group” basis wherein affiliated companies were combined into specific insurance groups. In this regard, numerous insurance companies are independent and are not part of an insurance group *per se*. As such, independent companies were treated as separate competitors; i.e., each independent company was treated as a separate group. When individual companies were consolidated on a group basis, this resulted in the special data call encompassing 53 groups or nonaffiliated companies.

### C. Competitive Standards

Two standards were employed for evaluating the market structure for each classification of insurance and for each geographic area. The first standard is that set forth within the NAIC Model Act for evaluating *prima facie* evidence of violations of the Act’s competitive standards relating to mergers and acquisitions. The second standard is one commonly used by economists, the U.S. Department of Justice (“DOJ”), and the Federal Trade Commission (“FTC”) in evaluating market structure and the competitive impact of potential mergers and acquisitions and relies upon

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<sup>5</sup> Total reported premiums written during 2014 was \$17.729 billion.

calculated HHI. In addition, evaluations of other criteria unique to specific health insurance products were conducted as appropriate.

### 1. NAIC Model Act's Standards

The NAIC Model Act provides varying standards for merger guidelines depending on the concentration of a given line of insurance within a particular market. Specifically, the Model Act bifurcates insurance markets as “highly concentrated” and “not highly concentrated.” The Model Act’s minimum standards for *prima facie* evidence of a violation of the Act’s competitive standards are as follows:

#### Highly Concentrated Markets (Concentration Ratio of Four Largest Participants $\geq 75\%$ ):

Market Share	
Insurer A	Insurer B
4%	4% or more
10%	2% or more
15%	1% or more

#### Not Highly Concentrated Markets (CR-4 < 75%):

Market Share	
Insurer A	Insurer B
5%	5% or more
10%	4% or more
15%	3% or more
19%	1% or more

### 2. HHI and DOJ/FTC Standards

The HHI considers and measures the relative market positions of all participants in a given market rather than simply the market shares of the largest market participants as compared to the NAIC Model Act standards. The HHI considers both the number and market shares of insurance companies operating in each line of business. HHI is generally considered by economists to be a better metric of the level of competition that exists within a given market than concentration ratios. HHI is defined as the sum of every participant’s market share squared (times 100) and ranges in

value from 10,000 for a pure monopoly (one participant with 100% market share) to essentially zero (infinite number of participants, each with exceptionally low market shares).

The DOJ and FTC have specific guidelines relating to horizontal mergers. These agencies generally classify markets into three types<sup>6</sup>:

- Unconcentrated Markets: HHI below 1500;
- Moderately Concentrated Markets: HHI between 1500 and 2500; and,
- Highly Concentrated Markets: HHI above 2500.

The Federal agencies then employ the following general standards for the above classified markets:

- *Small Change in Concentration*: Mergers involving an increase in the HHI of less than 100 points are unlikely to have adverse competitive effects and ordinarily require no further analysis.
- *Unconcentrated Markets*: Mergers resulting in unconcentrated markets are unlikely to have adverse competitive effects and ordinarily require no further analysis.
- *Moderately Concentrated Markets*: Mergers resulting in moderately concentrated markets that involve an increase in the HHI of more than 100 points potentially raise significant competitive concerns and often warrant scrutiny.
- *Highly Concentrated Markets*: Markets resulting in highly concentrated markets that involve an increase in the HHI of between 100 points and 200 points potentially raise significant competitive concerns and often warrant scrutiny. Mergers resulting in highly concentrated markets that involve an increase in the HHI of more than 200 points will be presumed to be likely to enhance market power. The presumption may be rebutted by persuasive evidence showing that the merger is unlikely to enhance market power.

However, these general guidelines also provide that the purpose of these thresholds is not to provide a rigid screen to separate competitively benign mergers from anti-competitive ones, although high levels of concentration do raise concerns. Rather, they provide one way to identify some mergers unlikely to raise competitive concerns and some others for which it is particularly important to examine whether other competitive factors confirm, reenforce, or counteract, the potentially harmful effects of increased concentration. The higher the post-merger HHI and the

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<sup>6</sup> Horizontal Merger Guidelines, U.S. Department of Justice and the Federal Trade Commission, Chapter 5 (August 19, 2010)

increase in the HHI, the greater are potential competitive concerns and the greater is the likelihood that the additional information will be analyzed.<sup>7</sup>

#### **D. Limitations of Data**

A significant limitation of the market data collected and evaluated is that only a portion of the total health insurance market in Virginia is included, which can, and likely does, distort the true level of competition concerning the affordability and availability of health care in Virginia. The data provided from insurers identified in the special data call only reflects those Virginians insured by commercial carriers. There is a very large segment of Virginia's population whose health care needs are provided or insured by other means. Health insurance may be provided to Virginians by self-insured employers who contract for administrative services from commercial insurers, employers who provide insurance through Multiple Employer Welfare Arrangements (MEWAs provide health and welfare benefits to employees of two or more unrelated employers who are not parties to bona fide collective bargaining agreements), and State & local government insurance pools. Furthermore, the Federal government provides a host of health care and insurance services to active duty military personnel, Veterans Administration, Tricare, and Medicare.

A second limitation of the special data call is that the selected classification of seven sublines of insurance do not reflect the fact that all products within a given classification are homogeneous products. Within each subgroup, there are likely several product and marketing differences that may result in products not being realistic substitutes. Indeed, product differences within a given classification may be so different than Anthem, Cigna (or any other insurer) may not currently compete directly.

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<sup>7</sup> id.

#### IV. ANALYSIS

As shown in the Special Data Call Classification table provided in Section III of this report, the the following lines of health insurance were separately examined: Individual Comprehensive Medical; Small Group Comprehensive Medical; Large Group Comprehensive Medical; Dental Only; Medicare Supplement; Medicare; and, Medicaid.

##### **A. Individual Comprehensive Medical**

This classification of health insurance is generally defined as comprehensive health insurance issued to individuals and/or their dependents. It does not include Medicare, Medicaid or Dental Only insurance.

Responses were received from 15 insurance groups or independent insurance companies that reported insuring 554,947 lives within the Commonwealth. Anthem is the [REDACTED] State-wide writer of this business (in terms of number of lives insured), with [REDACTED] insured lives representing a [REDACTED] market share. As shown in Schedule 2, Page 1, Cigna did not report any business within the Commonwealth associated with Individual Comprehensive Medical insurance. As such, no further analysis is required of this classification of business since Cigna is not a market player and any merger/acquisition would have no impact on the status of competition or the structure of markets within the Commonwealth.<sup>8</sup>

##### **B. Small Group Comprehensive Medical**

This classification of health insurance is generally defined as comprehensive health insurance issued to employers with fewer than 50 employees.

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<sup>8</sup> Although a detailed analysis is moot for this subline of insurance, Tables utilizing the NAIC Model Act standards and DOJ standards are provided on pages 2 through 4 of Schedule 2.

Responses were received from 8 insurance groups or independent insurance companies that reported insuring 448,247 lives within the Commonwealth. Anthem is the [REDACTED] State-wide writer of this business (in terms of number of lives insured), with [REDACTED] lives insured representing a [REDACTED] market share. As shown in Schedule 3, page 1, Cigna did not report any business within the Commonwealth associated with Small Group Comprehensive Medical insurance. As such, no further analysis is required of this classification of business since Cigna is not a market player and any merger/acquisition would have no impact on the status of competition or the structure of markets within the Commonwealth.<sup>9</sup>

### C. Medicare

Medicare insurance is a federally funded and administered insurance program that is available to most persons 65 years and older and certain people younger than 65 who are disabled and qualify for social security benefits.<sup>10</sup> As noted by the Applicant, with the exception of solvency regulation and licensing of agents, the BOI's regulatory authority in this line of insurance is largely pre-empted. Nevertheless, in order to provide a comprehensive understanding of the overall health insurance market, an analysis of the effect on competition for this classification of insurance as a result of the merger was conducted.

Although the majority of Americans receive benefits directly from the Federal government program for Medicare Parts A and B, eligible persons may elect Part C, commonly referred to as Medicare Advantage, which is obtained from, and serviced by, commercial insurers. In addition, the federal Medicare program also provides for optional prescription drug coverage. Medicare prescription drug coverage may be obtained by any one of three methods: (1) purchased from a commercial insurer for those persons electing Medicare Parts A and B as Part D coverage; (2) purchased from a commercial insurer for those persons electing Medicare Advantage (Part C) in

<sup>9</sup> Although a detailed analysis is moot for this subline of insurance, Tables utilizing the NAIC Model Act standards and DOJ standards are provided on pages 2 through 4 of Schedule 3.

<sup>10</sup> In addition, there are other bases for entitlement of benefits.

which the specific Part C plan lacks prescription drug coverage as Part D coverage; or (3) included within a Medicare Advantage program (Part C).

According to the U.S. Department of Health and Human Services, Centers for Medicare & Medicaid Services ("CMS"), as of 2015, approximately 38 million people (68%) have elected the traditional Federal Medicare insurance for Parts A and B, while about 18 million people (32%) have elected Medicare Advantage (Part C) through a commercial insurer.<sup>11</sup> Approximately 40 million people (71.4% of those eligible) have elected Part D insurance Country-wide.<sup>12</sup> In Virginia, about 255,000 persons (18.7%) are enrolled in CMS approved Medicare Advantage plans out of about 1.36 million eligible.<sup>13</sup> For Medicare Part D, there are about 635,000 (46.7%) persons that purchase this optional insurance from commercial carriers out of about 1.36 million eligible.

Responses were received from 7 insurance groups or independent insurance companies that reported insuring 462,805 lives within the Commonwealth. It should be noted that the CMS data for Medicare Advantage only reported about 255,000 lives enrolled in Virginia for this classification. For purposes of the data call, however, insurers were requested to combine Medicare Advantage (Part C) with stand-alone Part D as this is what is defined by CMS as traditional Medicare insurance as opposed to Medicare Supplemental insurance which will be discussed in the next section.

██████ is the largest State-wide private insurance writer of this business (in terms of number of lives insured), while Anthem has ██████ insured lives representing a ██████ market share. As shown in Schedule 4, page 1, Cigna did not report any business within the Commonwealth associated with Medicare. As such, no further analysis is required of this classification of business

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<sup>11</sup> See "Brief Summaries of Medicare & Medicaid," Department of Health and Human Services, Centers for Medicare & Medicaid Services (November 16, 2015).

<sup>12</sup> *Id.*

<sup>13</sup> See "Monthly MA (Medicare Advantage) State/County Penetration Report," U.S. Health and Human Services, Centers for Medicare & Medicaid Services (February 2016).

since Cigna is not a market player and any merger/acquisition would have no impact on the status of competition or the structure of markets within the Commonwealth.<sup>14</sup>

#### **D. Medicare Supplement**

Medicare Supplement (Medigap) insurance is offered by commercial carriers to those individuals that elect traditional Parts A and B (with or without Part D) Medicare from CMS. This insurance is not available to the persons electing Medicare insurance from commercial carriers through the Advantage program (Part C).

Because Medicare Parts A and B only insure a portion of health care liability, supplemental Medicare insurance (also known as Medigap) is also marketed and available from commercial insurers. An important distinction is that supplemental insurance (Medigap) is only available to those insured by the Federal government with Parts A and B. Persons that elect Medicare Advantage (Part C) through commercial insurers may not purchase supplemental Medigap insurance. However, it should be understood that commercial Advantage policies may (and often do) provide benefits exceeding those under Medicare Parts A, B, and D.

Responses were received from 15 insurance groups or independent insurance companies that reported insuring 335,754 lives within the Commonwealth. Anthem is the [REDACTED] State-wide private insurance writer of this business (in terms of number of lives insured), [REDACTED] insured lives representing a [REDACTED] market share. As shown in Schedule 5, page 1, Cigna did not report any business within the Commonwealth associated with Medicare Supplement insurance<sup>15</sup>. As such, no further analysis is required of this classification of business since Cigna is not a market

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<sup>14</sup> Although a detailed analysis is moot for this subline of insurance, Tables utilizing the NAIC Model Act standards and DOJ/FTC standards are provided on pages 2 through 4 of Schedule 4.

<sup>15</sup> The Applicant identified a small amount of written premium for Cigna in its Form E filing. However, none of the companies identified as Cigna companies were required to complete the special data call due falling below the premium size thresholds and thus, were not included in the analysis.

player and any merger/acquisition would have no impact on the status of competition or the structure of markets within the Commonwealth.<sup>16</sup>

#### E. Medicaid

Medicaid, as it is commonly referred to, is a an entitlement program, funded by federal and state governments, that pays for medical assistance to low income individuals and families. In Virginia, the Medicaid program is administered and operated by the Virginia Department of Medical Assistance Services (“DMAS”). For many years, Medicaid operated on a “fee for service” basis wherein DMAS was the direct link between beneficiaries and healthcare providers for benefits and claims processing.

In the mid-2000s, DMAS initiated what is known as the “Medallion Program” for a few areas within the State. The Medallion Program is a managed care program that operates much like an HMO. Currently, the entire State participates within the Medallion Program with a few exceptions in very rural areas of the State. As part of the Medallion Program, DMAS has contracted with commercial insurers to manage and operate Medicaid as a managed care program on behalf of its beneficiaries. As a result, DMAS contracts with specific commercial insurance carriers to operate as managed care providers for Medicaid within specific areas and regions of the State; i.e., DMAS has established various Medicaid managed care networks within the State. Commercial insurance carriers are not free, or able to, enter the Medicaid market without a contract with DMAS. As such, there are significant barriers to entry for Medicaid in Virginia, control of which rests primarily with DMAS.

While the number of commercial carriers that participate in the Medallion Program vary from region to region within Virginia, currently, there are a total of 6 commercial carriers under contract with DMAS for Medicaid managed care services. These include:

- (1) Anthem HealthKeepers Plus (Anthem);
- (2) CoventryCares of Virginia (AETNA);

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<sup>16</sup> Although a detailed analysis is moot for this subline of insurance, Tables utilizing the NAIC Model Act standards and DOJ/FTC standards are provided on pages 2 through 4 of Schedule 5.

- (3) INTotal Health (independent company);
- (4) Kaiser Permanente (Kaiser);
- (5) Optima Family Care (Optima); and,
- (6) Virginia Premier Health Plan (independent company).

In addition to the Medallion Program, in 2011, DMAS initiated a pilot program with commercial insurers to coordinate benefits and act as servicing carriers for individuals covered by both Medicare and Medicaid. This program is known as Commonwealth Coordinated Care. Currently, the following commercial carriers are contracted as coordinated care providers:

- (1) Anthem HealthKeepers;
- (2) Humana; and,
- (3) Virginia Premier.

Responses were received from 7 insurance groups or independent insurance companies that reported insuring 588,561 lives within the Commonwealth. Anthem is the [REDACTED] State-wide private insurance writer of this business (in terms of number of lives insured) with [REDACTED] insured lives representing a [REDACTED] market share. As shown in Schedule 6, page 1, Cigna did not report any business within the Commonwealth associated with Medicaid. As such, no further analysis is required of this classification of business since Cigna is not a market player and any merger/acquisition would have no impact on the status of competition or the structure of markets within the Commonwealth.

#### **F. Dental Only**

This classification of health insurance is generally defined as policies that only cover dental-related risks.

Responses were received from 24 insurance groups or independent insurance companies that reported insuring 721,232 lives within the Commonwealth. [REDACTED] is the largest State-wide writer of this business (in terms of number of lives insured), while Anthem has [REDACTED] insured lives and Cigna insures [REDACTED] lives throughout the Commonwealth. Schedule 7, page 1 provides Anthem's and Cigna's reported lives for each of the 28 specific geographic areas (ZIP code areas) within Virginia.

As shown on Schedule 7, page 2, Anthem's State-wide market share for this classification of business is [REDACTED] and varies from virtually non-existent to a maximum of [REDACTED] across the geographic areas studied. Cigna's State-wide market share is about [REDACTED] and varies from virtually non-existent to [REDACTED] across the State. In relative terms, Anthem is the [REDACTED] largest writer (of lives) in the Commonwealth, while Cigna ranks [REDACTED]. Post-merger, Anthem/Cigna will be the [REDACTED] ranking writer (of lives) in the Commonwealth. If the merger is approved, Anthem's State-wide market share will increase from about [REDACTED] to about [REDACTED].

The NAIC Model Act standards for Dental Only were applied on a State-wide and individual geographic area basis. In terms of overall market concentration, this classification of business is not considered to be highly concentrated on a State-wide basis; however, thirteen geographic areas within the State do exhibit a highly concentrated market for Dental Only insurance. The NAIC Model Act standards were applied to each geographic area and it was determined that there are no geographic areas within the State in which there is *prima facie* evidence of a violation of the Act's competitive standards as shown on page 3 of Schedule 7.

When market concentration is measured by the HHI, this classification of business varied from unconcentrated to highly concentrated market structures across the various geographic areas studied. For each geographic area, the BOI applied the applicable DOJ/FTC standard depending on whether that specific geographic area was determined to be unconcentrated, moderately concentrated, or highly concentrated. Due to Cigna's presence in only 11 of the 28 geographic areas examined, combined with very small changes in the HHI as a result of the merger (for the 17 geographic areas in which Cigna does write Dental Only insurance), it was found that the result of the merger was not likely to have an adverse effect on competition for any geographic area studied such that no further analysis is required (page 4 of Schedule 7).

### Conclusions

While some geographic areas within the Commonwealth are highly concentrated, every geographic area studied both passed the NAIC Model Act and DOJ/FTC minimum standards. TAI

is of the opinion that the proposed acquisition will not substantially lessen the level of competition that exists for Dental Only insurance within the Commonwealth.

### **G. Large Group Comprehensive Medical**

This classification of health insurance is generally defined as comprehensive health insurance issued to employers with 50 employees or more.

#### **1. Analysis of Market Structure**

Responses were received from 8 insurance groups or independent insurance companies that reported insuring 462,406 lives within the Commonwealth, as shown on Schedule 8, page 1. Anthem is the [REDACTED] State-wide writer of this business (in terms of number of lives insured), with [REDACTED] insured lives reported, while Cigna reported [REDACTED] insured lives.

Although Anthem's State-wide market share for this classification of business is about [REDACTED], page 2 of Schedule 8 indicates that Anthem's market presence varies significantly across the State from a high of [REDACTED] (ZIP code area 243) to lows of less than [REDACTED] for several ZIP code areas. Cigna's State-wide market share is about [REDACTED] with insured lives in 20 of the 28 ZIP code areas examined. Cigna's highest market share is [REDACTED] in ZIP code area 232 and has more than [REDACTED] in only three other ZIP code areas (201, 230, and 231). In relative terms, Anthem is the [REDACTED] writer (of lives) in the Commonwealth, while Cigna ranks [REDACTED]. If the merger is approved, Anthem's State-wide market share will increase from about [REDACTED] to about [REDACTED].

The NAIC Model Act standards for Large Group Comprehensive Medical were applied on a State-wide and individual geographic area basis. As shown in Confidential Schedule 8, page 3, Large Group Comprehensive Medical insurance is not considered highly concentrated on a State-wide basis since the CR-4 is less than 75% (albeit 73%). However, as this Schedule indicates, every ZIP code area analyzed was determined to be highly concentrated under the NAIC Model Act standards. On a State-wide basis, as well as in 12 of the ZIP code geographic areas studied, it was found that there is *prima facie* evidence of a violation of the Act's competitive standards. The application of the NAIC Model Act for every ZIP code area evaluated is provided on page 3 of

Confidential Schedule 8. The table below provides a listing of the 12 ZIP code areas in which there is *prima facie* evidence of a violation of the NAIC Model Act's competitive standards:

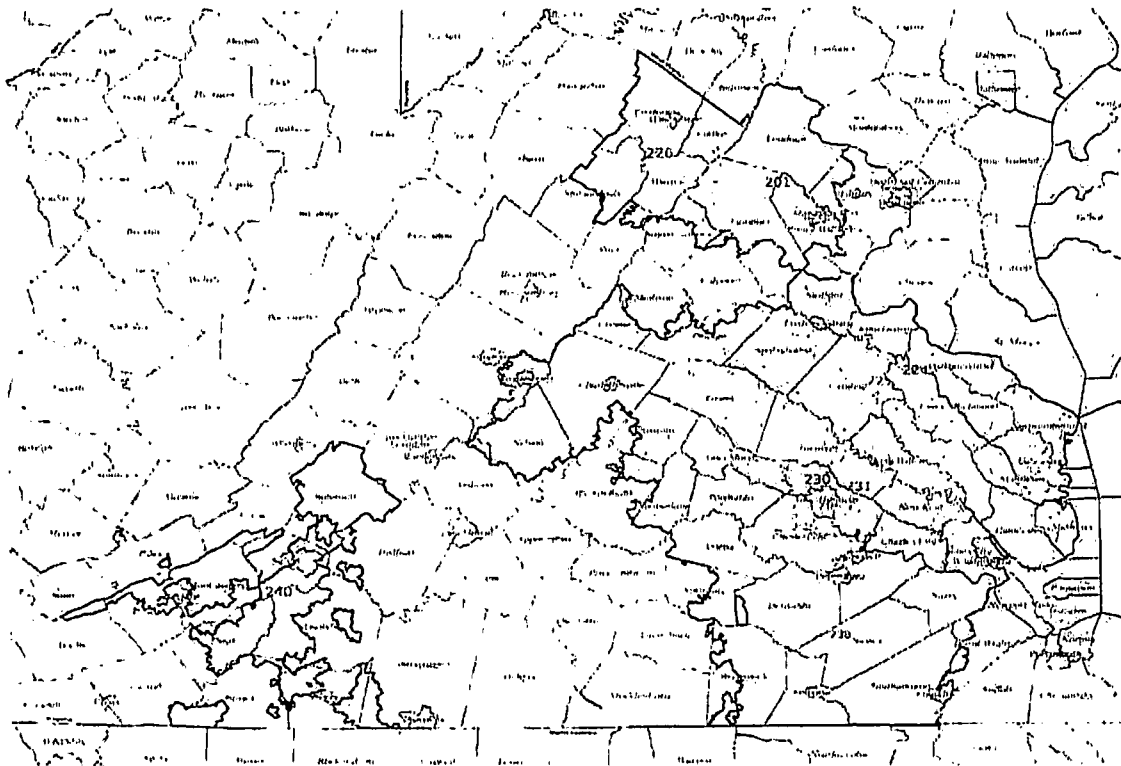
Large Group Comprehensive Medical NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A	Insurer B	CR-4	Evidence of Violation of NAIC Prima Facie Competitive Standards
Statewide			73%	Yes
201			80%	Yes
224			83%	Yes
225			96%	Yes
226			95%	Yes
229			96%	Yes
230			89%	Yes
231			91%	Yes
232			84%	Yes
234			99%	Yes
238			93%	Yes
240			97%	Yes
242			100%	Yes

When market concentration is measured by the HHI, this classification of business varied from unconcentrated to highly concentrated market structures across the various geographic areas studied as indicated in Confidential Schedule 8, page 4. As shown in this Schedule, the DOJ/FTC minimum standards indicated that there would be a potential impact on competition on a State-wide basis. Additionally, two of the ZIP code areas examined were found to have a potential impact on competition while eight of the ZIP code areas exhibited a likely impact on competition as summarized below:

Large Group Comprehensive Medical HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact Using DOJ Standards
Statewide	1,607	1,833	226	Potential Impact on Competition
201	2,347	2,717	369	Likely Impact on Competition
224	2,029	2,506	477	Likely Impact on Competition
225	2,991	3,506	516	Likely Impact on Competition
226	2,774	2,963	189	Potential Impact on Competition
229	2,657	2,915	258	Likely Impact on Competition
230	2,903	3,928	1,025	Likely Impact on Competition
231	2,913	3,804	891	Likely Impact on Competition
232	2,223	3,257	1,034	Likely Impact on Competition
238	3,439	4,162	723	Likely Impact on Competition
240	2,738	2,867	129	Potential Impact on Competition

When the NAIC Model Act and DOJ/FTC standards are considered together, 10 of the 28 ZIP code areas failed both standards. A map showing the geographical location of these ten ZIP code areas that fail both standards is shown below:

**Map 3**  
**Geographical Areas That Fail Both The NAIC Model Act and DOJ/FTC Market Structure Standards**



As such, it was determined that a more detailed examination of the market structures specific to these 10 ZIP code areas should be conducted. While the NAIC Model Act and DOJ/FTC standards provide bright line tests for prima facie evidence of diminished competition due to potential market power, these tests do not fully describe or evaluate the specific structure of a given market. As an illustration, hypothetical scenarios of varying market structures are provided in the table below:

	Pre-Merger Market Share			
	Insurer A	Insurer B	Insurer C	Insurer D
Scenario 1	25%	25%	25%	25%
Scenario 2	20%	10%	40%	30%
Scenario 3	60%	10%	20%	10%

Under each scenario, the market would be considered highly concentrated under both standards. If Insurers A and B proposed to merge, the proposed merger would fail both tests under all three scenarios resulting in the following post-merger market structures:

	Post-Merger Market Share			
	Insurer A/B	Insurer B	Insurer C	Insurer D
Scenario 1	50%	0%	25%	25%
Scenario 2	30%	0%	40%	30%
Scenario 3	70%	0%	20%	10%

Under Scenario 1, even though the pre-merger market was highly concentrated, there was no dominant insurer. However, on a post-merger basis, Insurer A/B emerges as the dominant writer with significant market power.

Under Scenario 2, on a pre-merger basis, Insurer C and D are the market leaders such that on a post-merger basis, Insurer A/B's market share increases substantially and Insurer A/B would still not be the dominant writer in this market. As such, it is unlikely that as a result of the merger Insurer A/B will gain significant market power.

Under Scenario 3, on a pre-merger basis, Insurer A is large enough to exert significant market power independent of a merger. On a post-merger basis, Insurer A/B's market share is further increased leading to even more market power for the merged company.

As can be seen above, not every merger produces the same potential adverse impact on competition in spite of failing the bright line tests. Therefore, for each of the 10 ZIP code areas that failed both the NAIC Model Act and DOJ/FTC bright line standards, further analyses to confirm, reinforce, or counteract the potentially harmful affects of the increased concentration as a result of the proposed merger were conducted, resulting in the identification of the four largest writers as well as their respective market shares on both a pre-merger and post-merger basis for each of the 10 ZIP code areas as having failed both tests.

Confidential Schedule 9 provides a listing of the four largest commercial insurance writers of Large Group health insurance for each of the ZIP code areas that failed both the NAIC Model Act and DOJ/FTC standards presented in order of largest, second largest, third largest, and fourth largest as well as each insurance company's 2014 market share. With this information, further analysis and evaluation of Anthem's relative position and potential post-merger market power for each of the critical areas was conducted.

[REDACTED]

[REDACTED]

[REDACTED]

<sup>17</sup> Per Anthem BlueCross BlueShield Virginia Facility Provider Manual, January 2011, Version 4.2, Revised 5/16/14.

[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
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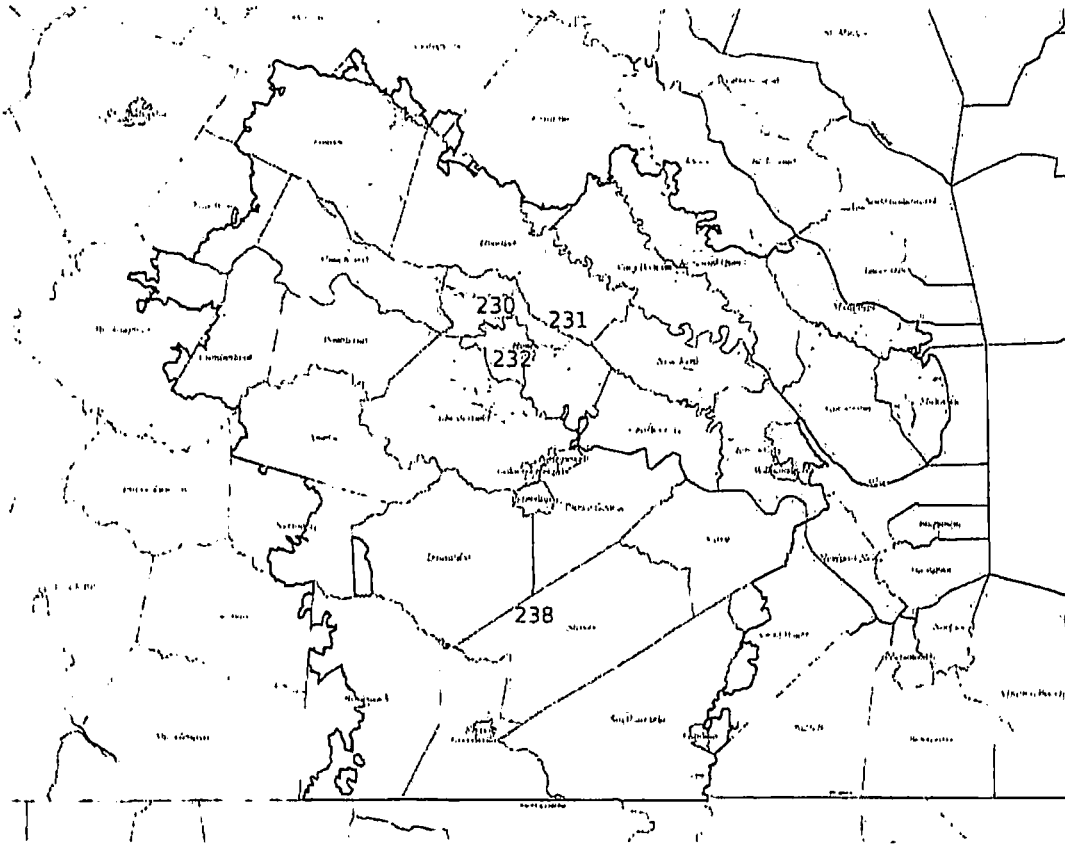
[REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]



As a result of the more detailed examination of the ZIP code areas that failed both the NAIC Model Act and DOJ/FTC bright line standards, six of the ten ZIP code areas cause concern that the merger will create a potential for additional market power to Anthem/Cigna. In the other four ZIP code areas, the above analysis reinforces the bright line standards demonstrating that the merger will likely have a material impact on Anthem/Cigna's market power. Thus, the proposed merger may have an adverse impact to some degree on the level of competition in six ZIP code areas (201, 224, 225, 226, 229 and 240) and will likely have a significant impact on the level of competition in four of the ZIP code areas (230, 231, 232 and 238). The four ZIP code areas of most concern include the contiguous region of Virginia encompassing the general Richmond, Williamsburg and Tri-Cities' area south to the North Carolina State Line. A map showing the geographical location of this region is shown below:

**Map 4**  
**Geographical Area Identified By BOI**  
**With The Most Significant Post-Merger Impact On Competition**



## **2. Analysis of Availability and Affordability of Large Group Health Insurance**

As explained below, and as a result of recent Federal regulations, the ability of a health insurer to impose true monopolistic pricing on policyholders is not realistically possible regardless of increases in market power. The Affordable Care Act requires that all commercially insured Large Group Comprehensive Medical coverage provided must be priced to produce a minimum medical loss ratio of 85%. If an insurer's medical loss ratio is less than 85%, the insurer must refund the excess premiums collected from policyholders.<sup>18</sup> As a result, even if the proposed merger created significant power to Anthem/Cigna, the Affordable Care Act prevents true monopolistic pricing for health insurers to policyholders. In other words, the rates for health

<sup>18</sup> "Medical Loss Ratio Requirements Under the Patient Protection and Affordable Care Act (ACA): Issues for Congress," Congressional Research Service Report for Congress (R42735), August 26, 2014.

insurance are effectively price-regulated such that Large Group health insurance will remain within the affordability guidelines set forth by Federal law.

With respect to the availability of Large Group health insurance, even though many geographical areas in the Commonwealth are highly concentrated both on a pre-merger and a post-merger basis, every geographical area examined has multiple commercial insurance companies with healthcare networks in place. The post-merger analysis indicates that there will continue to be multiple insurance companies offering Large Group health insurance for every geographical region in Virginia. Absent existing companies leaving the market, policyholders should continue to have access to multiple networks of health care providers with alternative insurance plans, deductibles, copayment provisions, etc.

### Conclusions

The Large Group Comprehensive Medical insurance market is highly concentrated throughout the State and does not pass either the NAIC Model Act's or DOJ/FTC's standards in 10 of the 28 geographic areas studied in Virginia. Of these 10 ZIP code areas, the analysis conducted supports the conclusion that the proposed merger may have an adverse impact to some degree on the level of competition in six ZIP code areas and will likely have a significant impact on the level of competition in four of the ZIP code areas that include what is generally characterized as the Richmond/Williamsburg and Tri-Cities' area of Virginia; i.e., Central Virginia. These impacts on competition may significantly increase Anthem/Cigna's market power in the six ZIP code areas and will likely increase Anthem/Cigna's market power in Central Virginia.

The pricing constraints imposed by Federal Law under the Affordable Care Act as it pertains to policyholders should be noted and recognized. Further, access to multiple health care networks will likely not be eliminated as evidenced by the fact that every geographical area of concern will continue to have at least four independent commercial insurers.

## V. OVERALL FINDINGS AND RECOMMENDATIONS

Based on the analyses and examination of the market structures of the affected lines, it is TAI's opinion that the proposed acquisition of Cigna by Anthem will not substantially lessen the level of competition that exists for the following six lines of health insurance in Virginia: Individual Comprehensive Medical, Small Group Comprehensive Medical, Dental Only, Medicare, Medicare Supplement, and Medicaid.

With regard to Large Group Comprehensive health insurance, the analysis and examination conducted supports the determination that the proposed merger will result in a lessening of competition in several areas within the Commonwealth, and a substantially lessening of competition and increased market power to the Applicant in Central Virginia, which encompasses ZIP code areas 230, 231, 232, and 238.

This study and report has focused only on the traditional economics of market structures and market power as it relates to the seller of insurance and the purchasers; i.e., insured. However, it should be noted that there is a substantial third party interest that may be impacted by the proposed merger -- that being, the potential impact on healthcare providers. Except to the extent that provider agreements between commercial insurers and medical services providers must comply with certain standards prescribed by statute relating to ethics and fairness in carrier business practices, the Commission has no regulatory oversight responsibilities relating to provider agreements. Consequently, neither TAI nor the BOI were able to obtain data that may measure the impact of the merger on healthcare providers or other potential stakeholders throughout Virginia. The BOI did receive feedback from a number of interested parties who expressed concerns that the merger would adversely impact provider reimbursement rates, provider network participation and other quality of care initiatives, but such an impact is likely immeasurable and somewhat speculative in nature at this time. Furthermore, while the long-term sustainability and efficiencies of Virginia's healthcare delivery system is of paramount importance and cannot be understated, it is not directly within the scope of criteria that must be considered by the Commission in evaluating the proposed merger.

The analysis and evaluation conducted, together with other factors and circumstances noted herein, support the finding that the proposed merger will result in a substantial lessening of competition and increased market power for Anthem/Cigna as it relates to Large Group Comprehensive health insurance in Virginia, and that the acquisition not be approved as proposed by the Applicant. Significant concessions and/or modifications to the Applicant's plan of acquisition would be necessary to protect against the potential for detrimental impacts on policyholders and the general public of Virginia that may be the result of reduced services and benefits to policyholders as well as the potential for undue power imposed upon providers of health care services.

Group Code	NAIC Number	Company Name
1	95109	Aetna Hlth Inc PA Corp
1	72052	Aetna Hlth Ins Co
1	60054	Aetna Life Ins Co
761	90611	Allianz Life Ins Co Of N Amer
1	12321	American Continental Ins Co
370	60380	American Family Life Assur Co of Col
8	60534	American Heritage Life Ins Co
953	80624	American Progressive L&H Ins Of NY
671	71835	Anthem Hlth Plans of VA Inc
671	28207	Anthem Ins Co Inc
233	61263	Bankers Life & Cas Co
429	71714	Berkshire Life Ins Co of Amer
707	12567	Care Improvement Plus S Central Ins
380	96202	CareFirst BlueChoice Inc
	13628	Carlson Clinic Medicare Resources L
901	52617	Cigna Dental Hlth of VA Inc
901	67369	Cigna Hlth & Life Ins Co
565	62049	Colonial Life & Accident Ins Co
626	62146	Combined Ins Co Of Amer
119	60984	Combenefits Ins Co
370	71730	Continental Amer Ins Co
1	81973	Coventry Hlth & Life Ins Co
1	96555	Coventry Hlth Care of VA Inc
4729	55611	Delta Dental of VA
2479	73474	Dentegra Ins Co
1230	95657	Dominion Dental Serv Inc
451	71870	Fidelity Security Life Ins Co
1	90328	First Hlth Life & Hlth Ins Co
4011	70025	Genworth Life Ins Co
707	62286	Golden Rule Ins Co
1	95846	Group Dental Serv Of MD Inc
380	53007	Group Hospitalization & Med Svcs
429	64246	Guardian Life Ins Co Of Amer
91	70815	Hartford Life & Accident Ins Co
917	70670	Health Care Serv Corp A Mut Legal Re
671	95169	Healthkeepers Inc
264	92908	HealthMarkets Ins Co
119	95885	Humana Hlth Plan Inc
119	73288	Humana Ins Co
119	70580	Humanadental Ins Co
1	15097	Innovation Hlth Ins Co
1	15098	Innovation Hlth Plan Inc
	10153	INTotal Hlth LLC
904	65838	John Hancock Life Ins Co USA
601	95639	Kaiser Found Hlth Plan Mid Atlanti
601	60053	Kaiser Permanente Ins Co

Group Code	NAIC Number	Company Name
111	65315	Liberty Life Assur Co Of Boston
901	65498	Life Ins Co Of N Amer
20	65676	Lincoln Natl Life Ins Co
707	60321	Manist Life & Hlth Ins Co
435	65935	Massachusetts Mut Life Ins Co
707	96910	MD Individual Practice Assn Inc
241	65978	Metropolitan Life Ins Co
261	71412	Mutual Of Omaha Ins Co
4796	87963	National Teachers Assoc Life Ins Co
826	66915	New York Life Ins Co
860	69000	Northwestern Long Term Care Ins Co
860	67091	Northwestern Mut Life Ins Co
261	13100	Omaha Ins Co
1183	70715	Optima Hlth Ins Co
1183	95281	Optima Hlth Plan
707	96940	Optimum Choice Inc
4667	67660	Pennsylvania Life Ins Co
	95811	Piedmont Comm Hlthcare Inc
429	60237	Premier Access Ins Co
332	61271	Principal Life Ins Co
565	68195	Provident Life & Accident Ins Co
304	68241	Prudential Ins Co Of Amer
953	68284	Pyramid Life Ins Co
3098	68381	Reliance Standard Life Ins Co
477	61700	Renaissance Life & Hlth Ins Co of Am
4	65005	RiverSource Life Ins Co
1348	69019	Standard Ins Co
1199	77399	Sterling Life Ins Co
468	65021	Stonebridge Life Ins Co
1129	68608	Symetra Life Ins Co
	84549	Symphonix Hlth Ins Inc
19	69477	Time Ins Co
468	86231	Transamerica Life Ins Co
468	66281	Transamerica Premier Life Ins Co
671	80314	Unicare Life & Hlth Ins Co
19	70408	Union Security Ins Co
290	92916	United Amer Ins Co
812	85766	United Concordia Ins Co
707	95025	United Hlthcare Mid Atlantic Inc
261	69868	United Of Omaha Life Ins Co
707	79413	UnitedHealthcare Ins Co
707	95378	UnitedHealthcare Plan of the River V
565	62235	Unum Life Ins Co Of Amer
549	80802	US Br Sun Life Assur Co of Canada
	97772	US Hlth & Life Ins Co Inc
	95612	Virginia Premier Hlth Plan Inc

If your company appears on this list,  
you must complete and return the data requested  
in the tab "Counts by ZIP".

Confidentiality may be requested  
under the "Confidentiality Request" tab.

Reported Counts must be as of 6-30-2015  
Completed Data Requests must be emailed to [eric.lowe@scc.virginia.gov](mailto:eric.lowe@scc.virginia.gov)  
Questions should be directed to Eric Lowe at 804.371.9628  
Data is Due December 23, 2015

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Confidentiality Request

Company Name:

Is the company identified requesting that the information in this survey be considered confidential proprietary pursuant to Virginia Code § 38.2-221.1? (check one)

YES

NO

Check one:

If yes, please detail the reason the information is confidential proprietary, indicating why protection is necessary:

The Bureau may publish aggregated and summarized information regarding datacall responses.



Reported Counts must be as of 6-30-2015

Life Accident &amp; Health Blank

1674237

**ANTHEM AND CIGNA VIRGINIA**  
**Direct Premiums Written and Market Shares**  
**(2014)**

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**LIFE AND ACCIDENT & HEALTH BLANK**

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*Life Insurance:*

		<u>Written Premiums</u>	<u>Market Share</u>
<b>Ordinary Life</b>	Anthem	\$526,965	0.019%
	Cigna	\$4,129,527	0.146%
	Combined		0.165%

Form E Requirement: Exempt, <5%

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<b>Credit Life</b>	Anthem	\$0	0.000%
	Cigna	\$0	0.000%
	Combined		0.000%

Form E Requirement: Exempt, No Market Share

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<b>Group Life</b>	Anthem	\$15,507,877	1.505%
	Cigna	\$86,360,937	8.378%
	Combined		9.883%

Form E Requirement: Exempt, <12% Combined, Less than 2% Increase

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<b>Industrial Life</b>	Anthem	\$0	0.000%
	Cigna	\$0	0.000%
	Combined		0.000%

Form E Requirement: Exempt, No Market Share

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**ANTHEM AND CIGNA VIRGINIA**  
**Direct Premiums Written and Market Shares**  
**(2014)**

**LIFE AND ACCIDENT & HEALTH BLANK**

*Accident and Sickness Insurance:*

		<u>Written Premiums</u>	<u>Market Share</u>
Group A&S	Anthem	\$8,068,843	0.336%
	Cigna	\$382,044,951	15.916%
	Combined		16.252%

Form E Requirement: Form E Analysis Required

Federal Employee A&S	Anthem	\$0	0.000%
	Cigna	\$0	0.000%
	Combined		0.000%

Form E Requirement: Exempt, No Market Share

Credit A&S	Anthem	\$0	0.000%
	Cigna	\$0	0.000%
	Combined		0.000%

Form E Requirement: Exempt, No Market Share

Collectively Renewable A&S	Anthem	\$0	0.000%
	Cigna	\$185	0.042%
	Combined		0.042%

Form E Requirement: Exempt, <5%

Medicare Title XVIII A&S	Anthem	\$599,620	0.106%
	Cigna	\$38,190,103	6.846%
	Combined		6.952%

Form E Requirement: Exempt, <12%, Combined, Less than 2% Increase

Non-Cancellable A&S	Anthem	\$0	0.000%
	Cigna	\$47,804	0.037%
	Combined		0.037%

Form E Requirement: Exempt, <5%

Non-Renew Stated Reason Only A&S	Anthem	\$0	0.000%
	Cigna	\$0	0.000%
	Combined		0.000%

Form E Requirement: Exempt, No Market Share

Other Accident Only A&S	Anthem	\$0	0.000%
	Cigna	\$24,462	1.118%
	Combined		1.118%

Form E Requirement: Exempt, <5%

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**ANTHEM AND CIGNA VIRGINIA**  
**Direct Premiums Written and Market Shares**  
**(2014)**

**HEALTH BLANK**

*Accident and Sickness Insurance:*

		<u>Written Premiums</u>	<u>Market Share</u>
Individual Blank	Anthem	\$874,242,461	64.331%
	Cigna	\$0	0.000%
	Combined		64.331%

Form E Requirement: Exempt, No Market Share Change

Group Blank	Anthem	\$2,091,360,531	64.331%
	Cigna	\$0	0.000%
	Combined		64.331%

Form E Requirement: Exempt, No Market Share Change

Medicare Supplemental Blank	Anthem	\$267,699,817	94.391%
	Cigna	\$0	0.000%
	Combined		94.391%

Form E Requirement: Exempt, No Market Share Change

Vision Only Blank	Anthem	\$7,897,433	11.704%
	Cigna	\$0	0.000%
	Combined		11.704%

Form E Requirement: Exempt, No Market Share Change

Dental Only Blank	Anthem	\$2,022,486	0.613%
	Cigna	\$5,744,165	1.742%
	Combined		2.355%

Form E Requirement: Exempt, <5%

Federal Employee Blank	Anthem	\$1,554,935,581	67.229%
	Cigna	\$0	0.000%
	Combined		67.229%

Form E Requirement: Exempt, No Market Share Change

Medicare Title XVII Blank	Anthem	\$153,936,630	8.825%
	Cigna	\$0	0.000%
	Combined		8.825%

Form E Requirement: Exempt, No Market Share Change

Medicaid Title XIX Blank	Anthem	\$937,131,377	32.623%
	Cigna	\$0	0.000%
	Combined		32.623%

Form E Requirement: Exempt, No Market Share Change

Other Blank	Anthem	\$186,284,611	45.630%
	Cigna	\$2,471,316	0.606%
	Combined		46.279%

Form E Requirement: Form E Analysis Required

**ANTHEM AND CIGNA VIRGINIA**  
**Direct Premiums Written and Market Shares**  
**(2014)**

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**PROPERTY AND CASUALTY BLANK**

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Neither Anthem nor Cigna reported premiums for Virginia on the P&C Blank.

160740237

160740237

Individual Comprehensive Medical Insured Lives - BOI Data Call			
3-Digit ZIP Code	Total Reported Lives	Anthem Reported Lives	Cigna Reported Lives
Statewide	554,947	Redacted	
201	72,201	Redacted	
220	44,462		
221	38,687		
222	15,763		
223	26,425		
224	12,807		
225	11,363		
226	12,385		
227	6,266		
228	11,973		
229	21,168		
230	17,222		
231	27,528		
232	37,308		
233	13,486		
234	33,367		
235	9,069		
236	15,959		
237	3,428		
238	17,130		
239	6,281		
240	24,576		
241	16,993		
242	9,036		
243	9,714		
244	11,174		
245	25,864		
246	3,312		

160740237

Individual Comprehensive Medical Market Rank and Concentration							
3-Digit ZIP Code	Anthem Marketshare	Cigna MarketShare	Pre Merger Anthem Market Position	Pre Merger Cigna Market Position	Post Merger Anthem/Cigna Market Position	Pre Merger CR-4	Post Merger CR-4
Statewide	Redacted						
201							
220							
221							
222							
223							
224							
225							
226							
227							
228							
229							
230							
231							
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236							
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240							
241							
242							
243							
244							
245							
246							

Calculated from BOI Data Call

160740237

Individual Comprehensive Medical NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A	Insurer B	CR-4	Evidence of Violation of NAIC Prima Facie Competitive Standards
Statewide	Redacted		86%	
201			96%	
220			94%	
221			94%	
222			98%	
223			98%	
224			94%	
225			95%	
226			97%	
227			98%	
228			98%	
229			97%	
230			98%	
231			98%	
232			98%	
233			98%	
234			98%	
235			99%	
236			98%	
237			99%	
238			98%	
239			98%	
240			98%	
241			98%	
242			98%	
243			98%	
244			98%	
245			90%	
246			98%	

Calculated from BOI Data Call

160740237

Individual Comprehensive Medical HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact using DOJ Standards
Statewide	2,948	2,948	-	
201	2,989	2,989	-	
220	2,566	2,566	-	
221	2,562	2,562	-	
222	3,971	3,971	-	
223	3,418	3,418	-	
224	4,965	4,965	-	
225	5,156	5,156	-	
226	5,640	5,640	-	
227	8,376	8,376	-	
228	5,882	5,882	-	
229	5,398	5,398	-	
230	5,282	5,282	-	
231	5,090	5,090	-	
232	4,513	4,513	-	
233	5,179	5,179	-	
234	5,086	5,086	-	
235	4,910	4,910	-	
236	4,123	4,123	-	
237	4,733	4,733	-	
238	6,160	6,160	-	
239	7,951	7,951	-	
240	3,699	3,699	-	
241	3,839	3,839	-	
242	7,706	7,706	-	
243	6,329	6,329	-	
244	4,883	4,883	-	
245	3,669	3,669	-	
246	6,665	6,665	-	

Calculated from BOI Data Call

160740237

Small Group Comprehensive Medical Insured Lives - BOI Data Call			
3-Digit ZIP Code	Total Reported Lives	Anthem Reported Lives	Cigna Reported Lives
Statewide	448,247	Redacted	
201	56,664	Redacted	
220	33,751		
221	28,370		
222	20,665		
223	26,533		
224	9,484		
225	7,883		
226	11,692		
227	5,540		
228	7,987		
229	20,144		
230	15,767		
231	27,152		
232	31,419		
233	12,189		
234	25,148		
235	8,241		
236	12,085		
237	2,970		
238	13,978		
239	3,919		
240	16,695		
241	9,708		
242	6,804		
243	5,815		
244	6,999		
245	17,147		
246	3,498		

150740237

Small Group Comprehensive Medical Market Rank and Concentration							
3-Digit ZIP Code	Anthem Marketshare	Cigna MarketShare	Pre Merger Anthem Market Position	Pre Merger Cigna Market Position	Post Merger Anthem/Cigna Market Position	Pre Merger CR-4	Post Merger CR-4
Statewide	Refacted						
201							
220							
221							
222							
223							
224							
225							
226							
227							
228							
229							
230							
231							
232							
233							
234							
235							
236							
237							
238							
239							
240							
241							
242							
243							
244							
245							
246							

Calculated from BOI Data Call

160740237

Small Group Comprehensive Medical NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A	Insurer B	CR-4	Evidence of Violation of NAIC Prima Facie Competitive Standards
Statewide	Reported		91%	
201			95%	
220			94%	
221			95%	
222			98%	
223			97%	
224			99%	
225			98%	
226			100%	
227			100%	
228			100%	
229			100%	
230			100%	
231			100%	
232			100%	
233			100%	
234			100%	
235			100%	
236			100%	
237			100%	
238			100%	
239			100%	
240			100%	
241			100%	
242			100%	
243			100%	
244			100%	
245			99%	
246			100%	

Calculated from BOI Data Call

160740237

Small Group Comprehensive Medical HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact using DOJ Standards
Statewide	3,051	3,051	-	
201	3,114	3,114	-	
220	3,668	3,668	-	
221	3,434	3,434	-	
222	6,104	6,104	-	
223	6,122	6,122	-	
224	4,994	4,994	-	
225	4,776	4,776	-	
226	5,266	5,266	-	
227	4,418	4,418	-	
228	4,193	4,193	-	
229	4,467	4,467	-	
230	5,318	5,318	-	
231	5,488	5,488	-	
232	5,093	5,093	-	
233	4,787	4,787	-	
234	4,864	4,864	-	
235	4,872	4,872	-	
236	6,054	6,054	-	
237	4,816	4,816	-	
238	5,828	5,828	-	
239	5,504	5,504	-	
240	4,084	4,084	-	
241	4,701	4,701	-	
242	5,210	5,210	-	
243	6,972	6,972	-	
244	4,846	4,846	-	
245	5,149	5,149	-	
246	5,836	5,836	-	

Calculated from BOI Data Call

160740237

Medicare Insured Lives - BOI Data Call			
3-Digit ZIP Code	Total Reported Lives	Anthem Reported Lives	Cigna Reported Lives
Statewide	462,805	Redacted	
201	18,423	Redacted	
220	10,799		
221	10,052		
222	3,808		
223	7,691		
224	11,418		
225	10,945		
226	15,389		
227	5,202		
228	14,297		
229	16,119		
230	21,332		
231	29,678		
232	27,367		
233	14,200		
234	30,246		
235	10,172		
236	19,029		
237	5,879		
238	26,553		
239	10,179		
240	27,090		
241	25,099		
242	19,096		
243	16,092		
244	13,279		
245	35,138		
246	7,906		

160740237

Medicare Market Rank and Concentration							
3-Digit ZIP Code	Anthem Marketshare	Cigna MarketShare	Pre Merger Anthem Market Position	Pre Merger Cigna Market Position	Post Merger Anthem/Cigna Market Position	Pre Merger CR-4	Post Merger CR-4
Statewide	Redacted						
201							
220							
221							
222							
223							
224							
225							
226							
227							
228							
229							
230							
231							
232							
233							
234							
235							
236							
237							
238							
239							
240							
241							
242							
243							
244							
245							
246							

Calculated from BOI Data Call

180740237

Medicare NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A Marketshare	Insurer B Marketshare	CR-4	Prima Facie Violation of NAIC Competitive Standards
Statewide	Redacted		98%	
201			100%	
220			99%	
221			99%	
222			100%	
223			100%	
224			99%	
225			99%	
226			100%	
227			99%	
228			99%	
229			99%	
230			99%	
231			99%	
232			99%	
233			99%	
234			99%	
235			98%	
236			99%	
237			98%	
238			99%	
239			97%	
240			99%	
241			99%	
242			100%	
243			100%	
244			99%	
245			98%	
246			100%	

Calculated from BOI Data Call

160740237

Medicare HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact using DOJ Standards
Statewide	4,108	4,108	-	
201	3,845	3,845	-	
220	4,324	4,324	-	
221	3,700	3,700	-	
222	4,234	4,234	-	
223	4,681	4,681	-	
224	4,553	4,553	-	
225	4,846	4,846	-	
226	4,940	4,940	-	
227	5,150	5,150	-	
228	4,178	4,178	-	
229	4,220	4,220	-	
230	4,465	4,465	-	
231	4,278	4,278	-	
232	4,233	4,233	-	
233	4,443	4,443	-	
234	4,684	4,684	-	
235	4,216	4,216	-	
236	4,632	4,632	-	
237	4,549	4,549	-	
238	4,556	4,556	-	
239	4,879	4,879	-	
240	4,079	4,079	-	
241	4,210	4,210	-	
242	4,570	4,570	-	
243	4,198	4,198	-	
244	3,966	3,966	-	
245	3,360	3,360	-	
246	4,720	4,720	-	

Calculated from BOI Data Call

160740237

Medicare Supplement Insured Lives - BOI Data Call			
3-Digit ZIP Code	Total Reported Lives	Anthem Reported Lives	Cigna Reported Lives
Statewide	335,754	Redacted	
201	18,371	Redacted	
220	8,422		
221	7,966		
222	2,982		
223	5,243		
224	8,201		
225	6,729		
226	11,495		
227	3,866		
228	11,428		
229	17,088		
230	11,831		
231	22,689		
232	23,431		
233	8,891		
234	19,883		
235	4,873		
236	11,850		
237	2,515		
238	15,432		
239	6,302		
240	22,690		
241	20,077		
242	7,475		
243	10,681		
244	12,867		
245	28,931		
246	3,545		

160740237

Medicare Supplement Market Rank and Concentration							
3-Digit ZIP Code	Anthem Marketshare	Cigna MarketShare	Pre Merger Anthem Market Position	Pre Merger Cigna Market Position	Post Merger Anthem/Cigna Market Position	Pre Merger CR-4	Post Merger CR-4
Statewide	Rounded						
201							
220							
221							
222							
223							
224							
225							
226							
227							
228							
229							
230							
231							
232							
233							
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235							
236							
237							
238							
239							
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242							
243							
244							
245							
246							

Calculated from BOI Data Call

160740237

Medicare Supplement NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A Marketshare	Insurer B Marketshare	CR-4	Prima Facie Violation of NAIC Competitive Standards
Statewide	Redacted		95%	
201			96%	
220			92%	
221			91%	
222			95%	
223			95%	
224			93%	
225			93%	
226			97%	
227			97%	
228			97%	
229			96%	
230			94%	
231			95%	
232			94%	
233			97%	
234			97%	
235			96%	
236			96%	
237			95%	
238			95%	
239			97%	
240			96%	
241			97%	
242			95%	
243			96%	
244			97%	
245			96%	
246			94%	

Calculated from BOI Data Call

160740237

Medicare Supplement HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact using DOJ Standards
Statewide	2,658	2,658	-	
201	3,335	3,335	-	
220	4,450	4,450	-	
221	4,155	4,155	-	
222	5,139	5,139	-	
223	5,127	5,127	-	
224	3,304	3,304	-	
225	3,387	3,387	-	
226	2,406	2,406	-	
227	3,193	3,193	-	
228	2,478	2,478	-	
229	2,666	2,666	-	
230	3,414	3,414	-	
231	3,473	3,473	-	
232	3,270	3,270	-	
233	3,551	3,551	-	
234	3,644	3,644	-	
235	3,621	3,621	-	
236	4,031	4,031	-	
237	3,368	3,368	-	
238	2,943	2,943	-	
239	2,757	2,757	-	
240	2,470	2,470	-	
241	2,396	2,396	-	
242	2,694	2,694	-	
243	2,351	2,351	-	
244	2,463	2,463	-	
245	2,334	2,334	-	
246	2,415	2,415	-	

Calculated from BOI Data Call

160740237

Medicaid Insured Lives - BOI Data Call			
3-Digit ZIP Code	Total Reported Lives	Anthem Reported Lives	Cigna Reported Lives
Statewide	588,561	Redacted	
201	48,815	Redacted	
220	25,921		
221	29,620		
222	8,851		
223	23,798		
224	19,967		
225	14,468		
226	18,820		
227	7,400		
228	10,380		
229	13,285		
230	13,211		
231	14,288		
232	60,985		
233	13,343		
234	25,734		
235	16,619		
236	28,829		
237	8,806		
238	31,903		
239	7,268		
240	36,765		
241	23,680		
242	23,119		
243	16,756		
244	9,908		
245	27,009		
246	9,014		

160740237

Medicaid Market Rank and Concentration							
3-Digit ZIP Code	Anthem Marketshare	Cigna MarketShare	Pre Merger Anthem Market Position	Pre Merger Cigna Market Position	Post Merger Anthem/Cigna Market Position	Pre Merger CR-4	Post Merger CR-4
Statewide	Redacted						
201							
220							
221							
222							
223							
224							
225							
226							
227							
228							
229							
230							
231							
232							
233							
234							
235							
236							
237							
238							
239							
240							
241							
242							
243							
244							
245							
246							

Calculated from BOI Data Call

160749237

Medicaid NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A Marketshare	Insurer B Marketshare	CR-4	Evidence of Violation of NAIC Prima Facie Competitive Standards
Statewide	Redacted		94%	
201			100%	
220			100%	
221			100%	
222			100%	
223			100%	
224			100%	
225			100%	
226			100%	
227			100%	
228			98%	
229			97%	
230			99%	
231			99%	
232			100%	
233			100%	
234			100%	
235			100%	
236			100%	
237			100%	
238			100%	
239			98%	
240			93%	
241			93%	
242			100%	
243			99%	
244			96%	
245			99%	
246			100%	

Calculated from BOI Data Call

160740237

Medicaid HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact using DOJ Standards
Statewide	3,193	3,193	-	
201	5,161	5,161	-	
220	5,172	5,172	-	
221	5,259	5,259	-	
222	4,948	4,948	-	
223	5,246	5,246	-	
224	4,678	4,678	-	
225	4,835	4,835	-	
226	4,024	4,024	-	
227	5,179	5,179	-	
228	6,570	6,570	-	
229	4,773	4,773	-	
230	3,801	3,801	-	
231	4,311	4,311	-	
232	3,221	3,221	-	
233	3,958	3,958	-	
234	4,035	4,035	-	
235	3,982	3,982	-	
236	5,536	5,536	-	
237	4,452	4,452	-	
238	3,541	3,541	-	
239	3,514	3,514	-	
240	5,338	5,338	-	
241	5,718	5,718	-	
242	2,863	2,863	-	
243	3,900	3,900	-	
244	5,364	5,364	-	
245	5,415	5,415	-	
246	3,725	3,725	-	

Calculated from BOI Data Call

150740237

Dental Only Insured Lives - BOI Data Call			
3-Digit ZIP Code	Total Reported Lives	Anthem Reported Lives	Cigna Reported Lives
Statewide	721,232	Retacted	
201	118,069	Retacted	
220	49,248		
221	60,174		
222	31,360		
223	37,575		
224	13,749		
225	11,086		
226	12,498		
227	4,190		
228	18,061		
229	24,675		
230	20,132		
231	25,848		
232	31,998		
233	31,275		
234	76,593		
235	22,059		
236	19,816		
237	10,842		
238	12,094		
239	14,161		
240	19,932		
241	7,289		
242	10,193		
243	4,667		
244	13,946		
245	10,592		
246	2,130		

160740227

Dental Only Market Rank and Concentration							
3-Digit ZIP Code	Anthem Marketshare	Cigna MarketShare	Pre Merger Anthem Market Position	Pre Merger Cigna Market Position	Post Merger Anthem/Cigna Market Position	Pre Merger CR-4	Post Merger CR-4
Statewide	Related						
201							
220							
221							
222							
223							
224							
225							
226							
227							
228							
229							
230							
231							
232							
233							
234							
235							
236							
237							
238							
239							
240							
241							
242							
243							
244							
245							
246							

Calculated from BOI Data Call

160740237

Dental Only NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A	Insurer B	CR-4	Evidence of Violation of NAIC Prima Facie Competitive Standards
Statewide	Redacted		65%	
201			70%	
220			60%	
221			72%	
222			64%	
223			66%	
224			60%	
225			65%	
226			65%	
227			72%	
228			86%	
229			80%	
230			79%	
231			71%	
232			57%	
233			82%	
234			86%	
235			82%	
236			72%	
237			84%	
238			69%	
239			93%	
240			80%	
241			67%	
242			80%	
243			84%	
244			92%	
245			70%	
246			82%	

Calculated from BOI Data Call

160740237

Dental Only HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact using DOJ Standards
Statewide	1,255	1,263	8	
201	1,383	1,402	18	
220	1,094	1,113	18	
221	1,757	1,768	11	
222	1,355	1,371	15	
223	1,458	1,471	13	
224	1,159	1,169	9	
225	1,486	1,515	29	
226	1,405	1,405	-	
227	1,566	1,566	-	
228	1,957	1,957	-	
229	2,579	2,579	-	
230	3,125	3,129	3	
231	2,355	2,355	-	
232	1,078	1,098	20	
233	2,162	2,162	0	
234	2,958	2,958	-	
235	2,175	2,176	1	
236	2,174	2,174	-	
237	2,794	2,794	-	
238	1,589	1,589	-	
239	6,693	6,693	-	
240	2,376	2,376	-	
241	1,489	1,489	-	
242	2,188	2,188	-	
243	3,116	3,116	-	
244	4,473	4,473	-	
245	2,102	2,102	-	
246	2,562	2,562	-	

Calculated from BOI Data Call

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Large Group Comprehensive Medical Insured Lives - BOI Data Call			
3-Digit ZIP Code	Total Reported Lives	Anthem Reported Lives	Cigna Reported Lives
Statewide	462,406	Redacted	
201	57,509	Redacted	
220	67,348		
221	44,337		
222	36,488		
223	35,700		
224	8,715		
225	5,065		
226	7,298		
227	4,422		
228	4,867		
229	13,648		
230	8,388		
231	15,094		
232	25,171		
233	17,410		
234	25,125		
235	9,584		
236	11,526		
237	2,265		
238	11,276		
239	4,195		
240	10,802		
241	7,714		
242	3,167		
243	2,460		
244	5,648		
245	16,087		
246	1,097		

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Large Group Comprehensive Medical Market Rank and Concentration							
3-Digit ZIP Code	Anthem Marketshare	Cigna MarketShare	Pre Merger Anthem Market Position	Pre Merger Cigna Market Position	Post Merger Anthem/Cigna Market Position	Pre Margar CR-4	Post Merger CR-4
Statewide	Redacted						
201							
220							
221							
222							
223							
224							
225							
226							
227							
228							
229							
230							
231							
232							
233							
234							
235							
236							
237							
238							
239							
240							
241							
242							
243							
244							
245							
246							

Calculated from BOI Data Call

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Large Group Comprehensive Medical NAIC Competitive Standards Test				
3-Digit ZIP Code	Insurer A	Insurer B	CR-4	Evidence of Violation of NAIC Prima Facie Competitive Standards
Statewide	Redacted		73%	Yes
201			80%	Yes
220			94%	
221			92%	
222			96%	
223			94%	
224			83%	Yes
225			96%	Yes
226			95%	Yes
227			100%	
228			100%	
229			96%	Yes
230			89%	Yes
231			91%	Yes
232			84%	Yes
233			99%	
234			99%	Yes
235			100%	
236			98%	
237			100%	
238			93%	Yes
239			94%	
240			97%	Yes
241			96%	
242			100%	Yes
243			100%	
244			100%	
245			95%	
246			100%	

Calculated from BOI Data Call

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Large Group Comprehensive Medical HHI Tests				
3-Digit ZIP Code	Pre-Merger HHI	Post Merger HHI	Post Merger HHI Change	Adverse Competitive Impact using DOJ Standards
Statewide	1,607	1,833	226	Potential Impact on Competition
201	2,347	2,717	369	Likely Impact on Competition
220	3,121	3,139	18	
221	2,707	2,736	30	
222	3,704	3,711	8	
223	3,315	3,334	19	
224	2,029	2,506	477	Likely Impact on Competition
225	2,991	3,506	516	Likely Impact on Competition
226	2,774	2,963	189	Potential Impact on Competition
227	3,741	3,741	-	
228	3,718	3,718	-	
229	2,657	2,915	258	Likely Impact on Competition
230	2,903	3,928	1,025	Likely Impact on Competition
231	2,913	3,804	891	Likely Impact on Competition
232	2,223	3,257	1,034	Likely Impact on Competition
233	5,198	5,234	36	
234	3,976	4,063	87	
235	4,076	4,076	-	
236	3,725	3,725	-	
237	3,867	3,867	-	
238	3,439	4,162	723	Likely Impact on Competition
239	2,767	2,828	61	
240	2,738	2,867	129	Potential Impact on Competition
241	2,866	2,947	81	
242	6,584	6,641	57	
243	6,236	6,236	-	
244	5,244	5,244	-	
245	2,761	2,788	27	
246	3,791	3,791	-	

Calculated from BOI Data Call

**Largest Virginia Writers of Large Group Health Insurance**  
**3-Digit ZIP Codes That Fail Both The NAIC Model Act and DOJ/FTC Market Structure Standards**

3-digit Zip Code	Pre-Merger							
	Largest		Second Largest		Third Largest		Fourth Largest	
	Name	Mkt. Share	Name	Mkt. Share	Name	Mkt. Share	Name	Mkt. Share
201	REDACTED							
224								
225								
226								
229								
230								
231								
232								
238								
240								
State-Wide								

3-digit Zip Code	Post-Merger							
	Largest		Second Largest		Third Largest		Fourth Largest	
	Name	Mkt. Share	Name	Mkt. Share	Name	Mkt. Share	Name	Mkt. Share
201	REDACTED							
224								
225								
226								
229								
230								
231								
232								
238								
240								
State-Wide								