

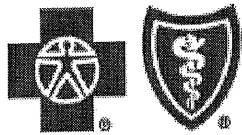
Background Documents for OSPIRG Testimony Supporting SB 684-1

1. Letter to Oregon Insurance Division from Regence BlueCross BlueShield of Oregon dated 8/23/12.
2. Oregon Insurance Division comments on additional information provided by Regence BCBS and reviewed confidentially by Division.
3. Oregon Insurance Division explanation for confidential review of information provided by Health Net Health Plans of Oregon, Fall 2012.
4. Redacted copy of information provided by Health Net in Fall 2012, as posted on Oregon Insurance Division website www.oregonhealthrates.org

Posted on 8/30/2012 8:29 AM

08/23/2012 10:35 AM

Company Response: Sent by Don Antonucci, President of Regence BlueCross
BlueShield of Oregon



Regence

Regence BlueCross BlueShield of Oregon is an independent
Licensee of the Blue Cross and Blue Shield Association

August 22, 2012

VIA EMAIL

Louis Savage
Oregon Insurance Commissioner
State of Oregon, Insurance Division
350 Winter Street,
Salem, OR 97301

Re: Individual Rate Filing
Review of Proprietary Materials

Dear Mr. Savage:

Your recent request indicated that it would be helpful for the Oregon Insurance Division ("OID") to be able to review certain documents to confirm Regence BlueCross BlueShield of Oregon's ("Regence") differentiation of claims costs across the five Select Networks in the Portland area. Regence is willing to share this proprietary information with the OID at its offices in Portland to address the OID's questions.

Regence objects to publicly producing documents that would result in competitive harm to Regence and, more importantly, its current and future members. The documents requested by the OID are proprietary and critical to Regence's ability to successfully compete in the Oregon marketplace. The requested information seeks details on how Regence contracts and the actual pricing with its health delivery systems to keep health care costs as low as possible for its members. Disclosure of this information to Regence's competitors and its health delivery systems would weaken the current competitive advantage that Regence uses to assist its current and future members.

In addition to potential harm suffered by Regence and its members, much of the OID requested information is subject to confidentiality restrictions with Regence's contracted health delivery

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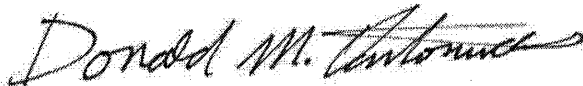
systems. To confirm the differentiation of claims costs across the five Select Networks, the OID will learn pricing details related to each of the different networks. All of this information is subject to confidentiality provisions between Regence and those health delivery systems. Disclosure of this information could also result in competitive harm to those health delivery systems.

While Regence cannot publicly produce documents that would result in competitive harm to Regence, its health delivery systems, and most importantly, its current and future members, Regence is willing to assist the OID in understanding its different network pricing structures.

Regence invites representatives of the OID to its Portland offices to review the necessary information in support of OID's inquiry. Regence will also make representatives of its actuarial staff available to the OID to assist in the review of the information. I will work with your office to find a suitable time for your staff to visit our offices. Regence believes that this review will allow you to complete your review of Regence's rate filing.

Thank you for your assistance in this matter. If you have any questions or comments, please feel free to contact me.

Respectfully,



Don Antonucci
President of Regence BlueCross
BlueShield of Oregon

08/16/2012 10:35 AM

Company Response: Sent by Christopher Coulter, Regence BlueCross BlueShield of Oregon

Please see our response to this objection in the file named 'Response to Questions Dated 8-12-2012.pdf' in Schedule Item 'Response to Objection on 20120812'

Please see next page.

Regence BlueCross BlueShield of Oregon

OID Comments on Additional Information Provided by Regence

In addition to the statewide average annual rate change, Regence must justify its proposed average annual rate changes by provider network. While a review and analysis of various rating factors, such as age or family coverage, is a routine part of most health benefit plan filing reviews, this is the first time DCBS has reviewed a filing with proposed differences in rates by provider network.

DCBS required that Regence provide additional supporting information and analysis in order to evaluate the reasonableness of proposed rate differences by network. The level of detail requested was beyond the requirements of a typical rate filing, and it was not included in the company's initial filing or in response to several DCBS written requests. Regence cited concerns regarding the confidentiality of individual provider network contracts, which is trade secret and cannot be disclosed to competing networks and/or insurance companies. The company offered to provide the required support, including confidential information, directly to DCBS. DCBS informed Regence that any information that should have been included in the original rate filing materials or that could not be considered trade secret under Oregon law would need to be disclosed publicly or else could not be relied upon in DCBS's decision on this filing.

DCBS reviewed the additional support offered at Regence's Portland office and determined which, if any, information is considered trade secret. Most of the information provided by Regence during this review was not trade secret and is posted as an attachment to this document on the Insurance Division web site. DCBS determined that some of the information provided was outside the scope of the rate filing support required under Oregon Administrative Rule 836-053-0471 and is a trade secret under the Uniform Trade Secret Act. DCBS reviewed the following documentation containing trade secret information:

- Calculations of risk-adjusted claim costs, per member per month, by individual provider contract. These calculations included the following information for each provider:
 - o Average number of members;
 - o Risk score;
 - o Trended allowed claims cost;
 - o Risk-adjusted claims cost, per member per month;
 - o Large claim threshold adjustment; and
 - o Final risk-adjusted claims cost, per member per month (reflecting large claim adjustment).
- A quantitative example of the provider adjustment calculation (the calculation to adjust claims costs from one provider to another).
- Risk-adjusted claims cost results from the cost allocation analysis, conducted separately for each network by provider contract.
- Results of enrollment allocation analysis by network.

The documentation above will not be disclosed publicly, as it includes calculations and assumptions that showed explicit differences in contracted reimbursement rates and variations in provider network efficiency.

Health Net implemented approved SEHI rates that became effective for new business and renewals on or after August 1, 2012. Shortly thereafter, Providence notified Health Net that the Providence facilities and affiliated providers would no longer be available to provide services to the Health Net members effective January 1, 2013.

To compensate the Health Net membership for the loss of the Providence network, Health Net requested a reduction to the approved area factors for rating areas 1 and 7. These are the Portland metropolitan area and Douglas, Jackson, and Josephine Counties, respectively. These new factors would be effective for new business and renewals on or after January 1, 2013.

DCBS required that Health Net provide additional supporting information and analysis in order to evaluate the reasonableness of the changes to the proposed area factors, specifically areas 1 and 7. Health Net cited concerns regarding the confidentiality of individual provider network contracts, which are trade secret and cannot be disclosed to competing networks and/or insurance companies. The company offered to provide the required support, including confidential information, directly to DCBS. DCBS informed Health Net that any information that should have been included in the original rate filing materials or that could not be considered trade secret under Oregon law would need to be disclosed publicly or else could not be relied upon in DCBS's decision on this filing.

Health Net provided a redacted area factor justification worksheet in support of their request, which is posted as part of the rate filing. DCBS reviewed the non-redacted area factor justification worksheet and determined which, if any, information is considered trade secret. Any information that was determined to be trade secret would not be retained by DCBS. DCBS determined that the information provided in the non-redacted worksheet was outside the scope of the rate filing support required under Oregon Administrative Rule 836-053-0471 and is a trade secret under the Uniform Trade Secret Act. DCBS reviewed and relied upon information provided in this meeting including allowed costs, gross of deductibles and cost-sharing, and utilization data by hospital system and geographic rating, area as well as case mixes per hospital system.

The documentation above will not be disclosed publicly, as it includes calculations and assumptions that showed explicit differences in contracted reimbursement rates and variations in provider network efficiency.

Health Net of Oregon

Area 1 Factor Change

a. CY 2011-Claims Experience

System	Commercial Unit Cost			(A1) Commercial Allowed			(A2) (A3) Commercial Utilization		
	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER
Total							2,390	3,192	4,700
Providence									
Facility Grouping 1									
Facility Grouping 2									
Facility Grouping 3									

b. Providence utilization reduction estimate

% Reduction at Prov Facilities			
System	Admit	OPSurg	OP ER
Providence	100%	100%	85%

Reduction at Prov Facilities		
Admit	OPSurg	OP ER

c. Capture rate of Providence services assumptions

% Est. Capture From Prov Facilities			
System	Admit	OPSurg	OP ER
Facility Grouping 1	60%	60%	60%
Facility Grouping 2	35%	35%	35%
Facility Grouping 3	5%	5%	5%

Est. Capture From Prov Facilities		
Admit	OPSurg	OP ER

d. Est. Unit Cost Impact

System	(B1) Commercial Unit Cost			(B2) Commercial Allowed			(B3) Commercial Utilization		
	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER
Total							2,390	3,192	4,700
Providence									
Facility Grouping 1									
Facility Grouping 2									
Facility Grouping 3									

Commercial Unit Cost			
Admit	OPSurg	OP ER	Total
-2.2%	-12.5%	-9.2%	-5.7%
(B1) / (A1) -1	(B2) / (A2) -1	(B3) / (A3) -1	(B1+B2+B3)/(A1+A2+A3) -1

Health Net of Oregon

Area 7 Factor Change

a. CY 2011 Claims Experience	(A1)			(A2)			(A3)		
	Commercial Unit Cost			Commercial Allowed			Commercial Utilization		
System	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER
Total							237	318	362
Providence									
Facility Grouping 1									
Facility Grouping 2									

b. Providence utilization reduction estimate			
System	% Reduction at Prov Facilities		
	Admit	OPSurg	OP ER
Providence	100%	100%	80%

Reduction at Prov Facilities		
Admit	OPSurg	OP ER

c. Capture rate of Providence services assumptions			
System	% Est. Capture From Prov Facilities		
	Admit	OPSurg	OP ER
Facility Grouping 1	58%	58%	58%
Facility Grouping 2	42%	42%	42%

Est. Capture From Prov Facilities		
Admit	OPSurg	OP ER

d. Est. Unit Cost Impact	(B1)			(B2)			(B3)		
	Commercial Unit Cost			Commercial Allowed			Commercial Utilization		
System	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER	Admit	OPSurg	OP ER
Total							237	318	362
Providence									
Facility Grouping 15									
Facility Grouping 2									

Commercial Unit Cost			
Admit	OPSurg	OP ER	Total
-4.6%	-11.5%	-6.7%	-6.3%
(B1) / (A1) -1	(B2) / (A2) -1	(B3) / (A3) -1	(B1+B2+B3)/(A1+A2+A3) -1