



THE SECRETARY OF HEALTH AND HUMAN SERVICES  
WASHINGTON, D.C. 20201

May 4, 2010

Dear Governor:

I am writing to call your attention to the recent withdrawal by Anthem Blue Cross, an affiliate of WellPoint, Inc., of the proposed rate increase of up to 39 percent for many of its California individual market policyholders. The California Department of Insurance found that the proposed rate increase was based on unreasonably high assumptions about the rate at which medical costs are increasing.

In light of this recent finding, I urge that, to the extent you have authority to do so, you re-examine any WellPoint rate increases in your state to determine whether any mistaken assumptions similar to those made in California were made in your state. Even small errors can mean unaffordable premiums for policyholders.

I also ask that you review the authority you have under your state law to determine whether you have all of the regulatory tools needed to approve health insurance rates before they take effect. The ability to require insurers to modify an increase if a proposed rate increase is unjustified has been shown to be effective in many states. The Affordable Care Act expressly contemplates support for state efforts in rate review, appropriating a total of \$250 million to states to assist in meaningful rate review. We intend to issue guidance on applying for that funding in the near future.

Experience has shown that, where the prior-approval rate authority does exist, rate increases can be moderated, while still enabling insurers to earn a reasonable profit. Just last month, for example, a Maine court affirmed the Maine insurance commissioner's decision to reduce Blue Cross of Maine's proposed 18-percent rate increase to 10 percent.

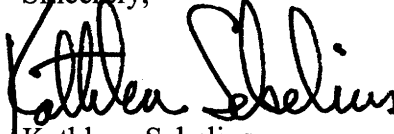
When the Exchanges begin to operate in 2014, individuals and small businesses will be able to make apples-to-apples comparisons, and will have access to meaningful comparative price information. Insurers will compete on price, and will no longer be competing by segmenting the market, differentiating the product, and selecting out risk. Under the new system, competition will complement oversight to hold down rate increases.

In the meantime, however, individual and small business insurance purchasers have little or no bargaining power and limited access to meaningful comparative price information. That's why state assistance is so necessary to prevent excessive rate increases.

I therefore urge you to review WellPoint's rate filings for mistakes similar to those made in California, if you have the authority to undertake rate review, and, if you do not, to seek authority to prior-approve health insurance rates. Not only will funding be available

to states that have and exercise such authority, but, more importantly, such authority and its exercise will enable state insurance departments to better protect consumers.

Sincerely,



Kathleen Sebelius

Cc: State Insurance Commissioner