ACQUISITION BY ANTHEM, INC. OF CIGNA CORPORATION

Overview of Transaction and New Hampshire Competitive Impact Statement

I. Introduction; Overview of Transaction

This statement (the “Statement”) has been prepared by Anthem, Inc., an Indiana corporation (“Anthem”), in connection with Anthem’s proposed acquisition (the “Acquisition”) of Cigna Corporation, a Delaware corporation (“Cigna”), pursuant to an Agreement and Plan of Merger dated July 23, 2015 (the “Merger Agreement”).


In connection with the proposed acquisition of control of Cigna HMO by Anthem, Anthem filed with the New Hampshire Insurance Commissioner (the “Commissioner”) a Form A Statement on September 2, 2015 (the “Form A”) pursuant to New Hampshire Revised Statutes Annotated (“NH RSA”) 401-B:3. Anthem’s Form A contains a more detailed summary of the terms of the Acquisition and the Merger Agreement. In accordance with NH RSA 401-B:3 and NH RSA 401-B:3-a, Anthem has also filed with the Commissioner a confidential Form E Pre-Acquisition Notification (the “Form E”) that describes the competitive impact in New Hampshire with respect to certain lines of insurance written by Anthem and Cigna. The Form E is confidential in its entirety; however, this Statement provides a summary of the applicable standards and the information contained in the Form E, including Anthem’s conclusions as to the New Hampshire competitive impact of the Acquisition.

II. Affected Lines of Business in New Hampshire; Competitive Standard

Under NH RSA 410-B:3-a, a transaction is exempt from the Form E filing requirement for a line of insurance (and therefore a transaction is essentially deemed not to have a competitive impact on such line of insurance) if, as an immediate result of the acquisition: (A) the combined market share in that line of insurance would not exceed 5%; (B) there would be no increase in market share in that line of insurance; or (C) the
combined market share in that line of insurance would not exceed 12% and the market share increase in that line of insurance would not exceed 2%. See NH RSA 401-B:3-a, II(b)(4).

For purposes of this Statement, the terms “market” and “market share” refer to an insurance company’s direct written premium in a particular line of insurance in New Hampshire as reported by such company to the Commissioner on its statutory financial statements, as such terms are defined under New Hampshire law (see, e.g., NH RSA 401-B:3-a, II(b)).

All lines of insurance except for those set forth below are under the thresholds described above and are thus exempt from the Form E filing requirements and deemed not to be competitively impacted. The lines of insurance that are not exempt from the Form E filing requirements in New Hampshire are as follows:

- Group life
- Comprehensive individual health insurance
- Comprehensive small employer group health insurance (50 or fewer)
- Comprehensive large employer group health insurance (more than 50)
- Medicare Supplement
- Medicare
- Standalone vision
- Standalone dental

With respect to those lines that are affected, NH RSA 401-B:3-a, IV applies a competitive standard to determine whether the affect on competition is adverse. The competitive standard is violated only “if there is substantial evidence that the effect of the acquisition may be substantially to lessen competition in any line of insurance in this state or tend to create a monopoly.” NH RSA 401-B:3-a, IV(a).

For a number of reasons, including those described in Sections III and IV of this Statement, Anthem has concluded that the Acquisition will not result in a violation of the competitive standard in any affected line of insurance; a conclusion also set forth in the Form E.

III. Recent Trends in Health Insurance Affecting Competition

The healthcare industry in New Hampshire and throughout the United States is undergoing dramatic changes. There are several drivers bringing about these dramatic changes which are aimed at making the healthcare industry in the United States more efficient and expanding access to affordable, quality health care.

First and foremost, enactment of the Patient Protection and Affordable Care Act (the “ACA”) in 2010 has had a significant impact on the healthcare industry throughout the United States and the availability of affordable health insurance. One of the major changes has been the creation of public exchanges and the wide availability of insurance
products from a variety of insurers (large, regional, local, co-op, etc.) on those exchanges. The ACA has also created an environment that seeks to encourage a transition away from the fee for service payment model for healthcare (which encourages inefficiency) and towards population-based payment models (which rewards more efficient, effective care). Other provisions of the ACA and state laws and regulations limit the profit margins that insurers can earn in an effort to ensure that pricing within the health insurance industry remains highly competitive.

The healthcare industry continues to experience exponential technology improvements and hyper connectivity that increase availability and transparency of medical and benefits plan costs. These technological innovations enable consumers and employer groups to use multiple channels to be better informed and educated and to take a more prominent role in their healthcare and insurance selections.

Employer groups are also using benefit administration plans/consultants and private exchanges to obtain competitive pricing from insurers. Enrollment in private exchanges, which bring together employers and multiple health plans, doubled from 2014 to 2015, and it is expected to double again in 2016, en route to an expected 40 million enrollees nationally by 2018. This mode of competition is expected to become particularly prevalent in the large group commercial segment as many of the new entrants competing in this space design specialized exchange models to cater to the needs of customized employer demands.1

This industry transformation is leading to a new competitive landscape in both commercial and government health insurance programs. Many types of insurers, including large insurers, regional insurers, previously Medicaid-only insurers,2 provider-sponsored plans, and others now compete with each other in the various commercial segments of the market. This expanded competition is expected to continue and grow.

The Acquisition’s effect on competition in New Hampshire needs to be considered in light of these changes and the impact on the industry

IV. Competitive Impact on Affected New Hampshire Lines of Business

Each affected line of insurance has robust competition among a number of insurance and health plan carriers. Moreover, insurance consumers can, and readily do, move from one insurance or health plan carrier to another. This is reflective both of the large degree of regulatory and market standardization of products and the infrastructure that allows consumers to easily compare the various available products. Anthem believes

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1 See Accenture, Private Health Insurance Exchange Enrollment Doubled from 2014 to 2015 (2015).
2 While some insurers historically focused only on Medicaid, in the past couple years the industry has seen many previously Medicaid-only insurers enter the commercial segments with very competitive pricing. New Hampshire has witnessed this shift, in particular with the advent of the New Hampshire Health Protection Program.
that the Acquisition will not lessen competition in New Hampshire in any meaningful way in any affected line of insurance, but rather believes that the Acquisition will result in substantial benefits to consumers. Set forth below is a summary of the competitive landscape in each affected line of insurance and the anticipated benefits of the Acquisition.

A. Health Insurance Lines

Comprehensive health insurance in New Hampshire consists of three lines of business (or “segments”): (1) comprehensive individual; (2) comprehensive small employer group; and (3) comprehensive large employer group. This division is a function of both New Hampshire and federal law, which dictate the manner in which these products are sold and to whom.

A number of insurance companies – in addition to Anthem and Cigna – offer a variety of policies and compete to provide health insurance in each such line of insurance in New Hampshire. With respect to all lines of health insurance, population-based payment models and alternative risk arrangements have led a number of large health care providers to explore the creation of their own insurance products in collaboration with licensed carriers. Both Elevate Health (Harvard Pilgrim Health Plan and Dartmouth-Hitchcock/Elliot Hospital) and the Tufts Health Freedom Plan (Tufts and the Granite Health Network) represent recent examples of this trend.

1. Comprehensive Individual

The Cigna Insurers effectively do not participate in the comprehensive individual segment, representing a share of only 0.001%. Accordingly, the Acquisition will have no meaningful competitive impact on this line of insurance in New Hampshire.

The comprehensive individual line of insurance has also seen a robust expansion in competition since the establishment of New Hampshire’s federally facilitated ACA exchange. Minuteman Health, Inc., Maine Community Health Options and Ambetter have all entered the comprehensive individual line of insurance in New Hampshire since 2014 and are vigorously competing. In addition, Harvard Pilgrim Health Plan has resumed meaningful competition in the comprehensive individual line of insurance in New Hampshire in 2015, including in conjunction with large providers such as Dartmouth Hitchcock. In 2016, Tufts Health Plan is re-entering the New Hampshire comprehensive individual line of insurance with its new product in partnership with Granite Health Network.

2. Comprehensive Small Employer Group

As with the comprehensive individual segment, the Cigna Insurers effectively do not participate in the comprehensive small employer group segment, representing a share of only 0.29%. Again, this means that the Acquisition will have no meaningful competitive impact on this line of insurance in New Hampshire.
Levels of competition in the comprehensive small employer group line of insurance are similar to those present in the comprehensive individual line. Like the comprehensive individual line, the ACA resulted in the establishment of an exchange marketplace for small businesses: the Small Business Health Options Program exchange (the “SHOP”). A critical feature of the SHOP allows employees of participating employers to shop among different plans for coverage instead of being limited to a narrow set of choices from one carrier. Harvard Pilgrim Health Plan continues to be a significant competitor on and off the SHOP and is now marketing a product in connection with Dartmouth Hitchcock, the largest health care provider in the state. In addition, two of the same new entrants that are participating in New Hampshire’s comprehensive individual segment (Minuteman Health, Inc. and Maine Community Health Options) are also participating in the comprehensive small group segment (both on and off exchange).

3. Comprehensive Large Employer Group

There are a significant number of insurance carriers writing business in the comprehensive large employer group line of insurance in New Hampshire. In addition to Anthem and Cigna, competitors in this line include Harvard Pilgrim Health Plan, UnitedHealth and Aetna, as well as new entrant Tufts Health Plan.

In addition, there are several factors unique to the comprehensive large employer group line of insurance that affect competition. Competition in the New Hampshire large group line is less sensitive to, and less bounded by, geographic state borders, because employers are often purchasing such policies to cover employees on a regional or national basis (and thus may purchase a policy in New Hampshire to cover employees in multiple states or purchase a policy in another state to cover New Hampshire employees). Moreover, because of the nature of many of the employers who are purchasing this coverage, this line of insurance is really regional and national. As a result, insurance carriers who would not otherwise find it attractive to compete in the individual or small group lines can effectively compete in the large group line, even absent a significant presence in New Hampshire.

As discussed above, there is also an increasing trend among large employers toward the use of private exchanges, which function much in the same way as the SHOP does for small employers. Many of these private exchanges are organized by large employee benefits consulting firms such as AON Hewitt, Mercer, Towers Watson and others. Large employer groups in New Hampshire and elsewhere also have increased access to benefits administration platforms and other sophisticated tools to help control health insurance costs. Importantly, in New Hampshire, large employer group business is driven by large and sophisticated buyers. These groups can and do demand competitive and innovative offerings from health plans, and will take advantage of newly emerging alternatives like private health exchanges to ensure they are getting competitive bids. All of these factors increase the competitive pressures on participants in the comprehensive large employer group segment.

While many large employer group customers utilize fully-insured products, many other large employer group customers receive administrative services only (“ASO”)
services from health insurers and other administrators and bear the insurance risk themselves. These self-funded groups have an expanded range of options for their health insurance solutions and access to global sources of capital to bear the financial risk. Administrative services can be provided by insurance companies or by third-party administrators (“TPAs”), which need not be licensed insurance companies or HMOs and are not subject to the same regulatory standards. In addition to the insurance companies and HMOs previously noted that currently serve large New Hampshire employer groups, there are many TPAs and benefits consultants that also actively market and provide ASO services.

It should also be noted that self-insured customers benefit directly from cost savings on claims and generally receive all or almost all of the cost savings (i.e., the employer bearing the healthcare costs of its employees). For this reason, it is the employers, and in turn the employees, who are the primary beneficiaries of these claims cost savings.

For the reasons set forth above, the Acquisition will not substantially lessen competition in insurance or tend to create a monopoly in the State of New Hampshire with respect to the comprehensive large employer group line of insurance.

B. Other Lines of Business

1. Group Life

Anthem does not compete in a material way in the group life line of insurance in New Hampshire, representing a share of less than 3%. Accordingly, the Acquisition will have no meaningful competitive impact on this line of insurance.

There are a very large number of competitors in the group life line of insurance in New Hampshire, including more than twenty companies with at least 1% share. Competitors of Anthem and Cigna include MetLife (the share leader), Hartford Financial Services, Prudential Financial, New York Life Insurance and Securian Financial Group, among many others.

2. Medicare Supplement

Cigna effectively does not participate in the Medicare Supplement line of insurance in New Hampshire, representing a share of only 0.1%. Accordingly, the Acquisition will have no meaningful competitive impact on this line of insurance.

There are at least eight carriers actively competing in this line of insurance in addition to Anthem, including UnitedHealth (one of the leading providers), Bankers Life and Casualty Company, HPHC Insurance Company, Colonial Penn Life Insurance, and others.
3. **Medicare (Parts C and D)**

The vast majority of Medicare beneficiaries in New Hampshire (over 93%) participate in traditional Medicare (*i.e.*, Parts A and B), which is administered by the Federal Government.

The remaining beneficiaries participate through private Medicare Advantage plans (*i.e.*, Part C). In addition, beneficiaries may participate in the Medicare Prescription Drug Program (*i.e.*, Part D), either through a Medicare Advantage plan or as a supplement to traditional Medicare. Anthem offers Part C and Part D coverage, while Cigna offers only Part D coverage in New Hampshire.

There are a number of other competitors in this line of insurance, including leading carriers UnitedHealth, Humana and Aetna (with a proposed merger between the latter two pending). Unlike the other lines of business discussed herein, Medicare Part C and Part D are overseen and administered by a federal agency, the Centers for Medicare and Medicaid Services. That agency regulates Part C premium rates and coverage requirements, and also actively monitors competition by determining which carriers compete in this line of insurance.

For the reasons set forth above, the Acquisition will not substantially lessen competition in insurance or tend to create a monopoly in the State of New Hampshire with respect to the Medicare segment.

4. **Standalone Vision**

The Acquisition would result in an increase in share of less than 3% in the standalone vision line of insurance. Accordingly, the Acquisition will have no meaningful competitive impact on this line of insurance. And, much of the coverage written by both Anthem and Cigna in this line of insurance is ancillary to their group health plan business (*i.e.*, it is sold with comprehensive group health insurance), instead of in competition with other insurance carriers on a standalone basis.

In true head-to-head competition, there are a number of strong competitors in addition to Anthem and Cigna in New Hampshire, including leading provider Vision Service Plan (VSP), National Guardian Life Insurance Company of America and Northeast Delta Dental.

5. **Standalone Dental**

The Acquisition would result in an increase in share of less than 3% in the standalone dental line of insurance. Accordingly, the Acquisition will have no meaningful competitive impact on this line of insurance. And, much of the coverage written by both Anthem and Cigna in this line of insurance is ancillary to their group health plan business (*i.e.*, it is sold with comprehensive group health insurance), instead of in competition with other insurance carriers on a standalone basis.
In true head-to-head competition, there are a number of strong competitors in addition to Anthem and Cigna, including leading provider Northeast Delta Dental (with a significant majority of the business) and Guardian Life Insurance Company.

C. Anticipated Benefits of Transaction

The rationale behind Anthem’s acquisition of Cigna is to combine the unique businesses and highly complementary capabilities of the two companies to deliver expanded consumer access to affordable, high quality healthcare. Together, Anthem and Cigna will have the resources and capabilities necessary to exceed consumer expectations and accelerate transformation of the broader healthcare system. The combined company will be able to more efficiently and effectively address the primary cause of rising costs in healthcare – the cost of care itself – to help make quality care more affordable. Consumers will benefit from enhanced access to an extensive network of hospitals, physicians, and healthcare professionals, and have a broader portfolio of products and services, including more value-based products and services, to choose from. The combination will also drive improved quality and value for consumers by leveraging best practices from our industry-leading provider collaboration efforts.

The combination will result in significant cost savings and increased overall health care efficiency by facilitating and accelerating the transition by the combined firm toward value-based provider and consumer collaboration models to reduce costs while maintaining and improving health outcomes. The transaction will enable the combined firm to better address medical costs by, for example, utilizing better collaboration models and speeding the pace of adoption, while at the same time enabling the merged firm to utilize Anthem’s cost of medical care advantage, Medicaid capabilities, and other comparative advantages and Cigna’s specialty programs, Medicare capabilities and other comparative advantages to the benefit of the combined company’s members. Customers will realize significant cost savings expected to result from the combination. Self-insured customers will benefit directly from cost savings on claims and receive all or almost all of the cost savings. Fully-insured customers will benefit from such savings due to customer transparency and legislatively-imposed medical loss ratios, which mandate that 80% to 85% of premium dollars are spent on medical care.

The combination will substantially increase the availability of insurance products and drive improved quality and value to the benefit of both existing and prospective consumers of the combined companies’ products by, among other things: (1) providing more flexible options for employers (for example, Cigna brings more flexible stop-loss and shared returns products/funding solutions to complement Anthem’s self-insured business); (2) providing consumers with a greater selection of specialty products, including Cigna’s highly-regarded integrated behavioral, pharmacy, vision, dental, wellness and other products; (3) enhancing individual coverage by utilizing Anthem’s exchange expertise to expand individual business through the Cigna brand in additional territories; (4) providing consumers with improved Medicare/Medicaid offerings (for example, by making Cigna’s highly-effective Medicare Advantage model available to Anthem members, and by combining Anthem’s broad Medicaid portfolio with Cigna’s Medicare capabilities to create an improved offering for the Dual Eligible population);
(5) enhancing continuity of care by offering a continuum of services across all life stages to customers and providers; (6) increasing investment in innovation, including investments in innovative delivery models and products to improve health care quality and consumer care; and (7) providing a better pharmacy benefits management (PBM) offering, including making available a more diversified and efficient offering for customers to better manage pharmaceutical costs.

Both companies’ commitment to ensuring consumers have expanded access to high-quality, affordable health coverage is the foundation of the proposed transaction and will remain the top priority of the combined company. One of the primary benefits of this transaction is that it will help keep quality health coverage as affordable as possible and ensure consumers have access to the highest quality, most effective care available. This acquisition will enable the combined company to operate more efficiently to reduce operational costs and, at the same time, enhance its ability to manage the cost drivers that negatively impact affordability for its members – all while preserving the quality of care.

The health care marketplace has for some time been slowly moving to value-based care, with its focus on patient outcomes. By combining the capabilities of Anthem and Cigna, the combined company will be able to speed the adoption of the changes necessary to transition to a value-based system. Value-based care is a critical element in the long-term sustainability of making health care affordable for consumers. The companies’ combined capabilities and improved network will also increase consumer access to an enhanced network of hospitals, physicians and health care professionals. Moreover, the combination of Anthem and Cigna will amplify the positive impact of their successful health management programs that have improved patient outcomes, generated meaningful cost savings, and empowered members to more actively engage in their own health and wellbeing.

Consumers will benefit from:

• Higher quality health care as a result of the combined company’s ability to utilize the complementary capabilities of Anthem and Cigna, such as value-based care, care coordination and management programs, and investments in customer service infrastructure, technology and customer-centric tools such as mobile apps, cost and quality transparency tools. These innovative technologies, improved data capabilities and programs promote high-quality care and better member outcomes;

• Lower costs through greater ability to address costs through efficiency gains in common administrative, IT and business functions as well as addressing rising medical costs (including drug costs);

• More choice by accelerating the combined company’s ability to better compete and increased capacity to test innovative programs with providers, driving more value and quality to the system; and

• Greater access through the combined capabilities and very limited shared local markets that will create a premier network of hospitals, physicians and health care
professionals that will also include virtual nurse and physician interaction and onsite wellness clinics.

While new clinical discoveries, treatments, and technologies hold promise for conditions once thought incurable, their potential may never be realized if consumers cannot afford them. In fact, rising pharmaceutical costs are the fastest growing area of health care costs.

- U.S. prescription drug spending increased by 13.1% in 2014.
- Industry wide, specialty prescription drug spending will exceed $400 billion by 2020.
- According to Avalere data, over the next 10 years, 10 breakthrough drugs are estimated to cost government programs an estimated $50 billion.
- At Anthem, by 2018, specialty prescription drugs are expected to account for ~50% of the company’s total prescription drug spend – up from about 30% currently.

Currently, under Anthem and Cigna’s unique collaborative care programs, improved quality and coordination lead to better health outcomes for patients. Patients in these programs see 4-5% lower costs, 19-25% better compliance with diabetes measures, and reduced stroke risk of about 40%. The combined firm will be able to more quickly identify best practices and implement these collaborative care programs. For example:

- Anthem’s Enhanced Personal Health Care program promotes the physician-patient relationship through a stronger focus on the quality of, and access to, services, which has led to a net savings of $6.62 per member per month, $36 million in shared savings paid out to providers, and fewer hospital admissions and shorter hospital stays.

- Cigna Collaborative Care (CCC) is a value-based initiative that uses incentives to engage health care professionals and help drive improved health, affordability and patient experience. CCC represents an industry-leading 19% of total commercial contracts, and includes large primary care physician groups, hospitals, small primary care practices and specialists, including OB-GYN practices, among others. 82% of doctors and hospitals with two or more years of experience with CCC have had success in achieving their total medical cost targets and 72% had success in achieving their quality targets.

- With spending on cancer medication expected to increase by 50% through 2024, 25% growth in new cancer therapies that average an annual cost of $100,000 each, and one in three cancer patients receiving treatment that is not consistent with medical evidence or best practices, Anthem’s Cancer Care Quality program – a joint collaboration with providers and oncologists that seeks to arm these experts with the information and tools they need to identify evidence-based care paths – has advanced better informed decision-making in cancer care and treatment. In its first year, 65% of members in the sample are already on a high-quality pathway.
The combined reach of Anthem and Cigna would go even further by providing these kinds of programs and expanding access to care and choice for consumers through an enhanced network of hospitals, physicians, service providers, and health care professionals, including a combined network of more than 1,600 Centers of Excellence proven to produce higher quality and lower costs in a number of surgical areas, such as cardiology, orthopedics, oncology, and obstetrics.

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Due to the numerous competitors, changing healthcare dynamic, new entrants, public and private exchanges, new distribution channels and business models, increasing transparency, sophisticated purchasers, and other marketplace realities, as well as the procompetitive benefits of the transaction, Anthem believes that the Acquisition will not substantially lessen competition in insurance or tend to create a monopoly in the State of New Hampshire with respect to any line of insurance. Rather, Anthem believes that the Acquisition will enable the merged firm to operate more efficiently and effectively, help it to lower the costs associated with health care, and enable it to offer better, more affordable quality health care to the benefit of consumers in New Hampshire and elsewhere.