35 Relevant Markets
The Local Case

1. Sale of commercial health insurance to large-group employers

2. Purchase of healthcare services by commercial health insurers
In some local markets, the Blues’ shares will be even higher

New Hampshire markets: up to 76%
Portland, Maine: 62%
Indianapolis, Indiana: 65%
Where Anthem has higher market shares, it is less responsive to customers and providers.

“There are some customers, some prospects who loathe us.”

—Robert Hillman
Plan president of Indiana, Anthem
Where Anthem has lower market shares, it seeks different ways to compete

As you know, we do not have market share like other states nor a significant discount advantage. As a result, we need to create "value" in other ways. For example, we have focused on a strong provider collaboration strategy, member engagement and service strategy (which includes well-being), and a more competitive mid market ASO strategy. The Cigna acquisition is extremely complementary to these initiatives.

—Mike Ramseier
Plan president of Colorado, Anthem
With less market share, Cigna must approach provider relationships differently.
Large group
Product market

Small group

Large group
Geographic market

MSAs
Metropolitan Statistical Areas

MiSAs
Micropolitan Statistical Areas

CBSAs
Core-Based Statistical Areas
National consultants calculate provider discounts by MSA

Q. When you're evaluating provider discounts, why do you do it using MSAs?
A. It's an agreed-upon geographic basis that is well defined both for employers, for ourselves, and for the health plans.

—Randall Abbott
Senior strategist
Willis Towers Watson

Trial Tr. 11/21/16, 107:16–20 (Abbott/Willis Towers Watson)
Large-Group Market Shares

Richmond, VA
Concord, NH
Virginia Beach-Norfolk-Newport News, VA-NC
Laconia, NH
Lynchburg, VA
Berlin, NH-VT
New Haven-Milford, CT
Claremont-Lebanon, NH-VT
Terre Haute, IN
Indianapolis-Carmel-Anderson, IN
Hartford-West Hartford-East Hartford, CT
Norwich-New London, CT
Manchester-Nashua, NH
Portland-South Portland, ME
Torrington, CT
Keene, NH
Gainesville, GA
Lafayette-West Lafayette, IN
Bridgeport-Stamford-Norwalk, CT
Atlanta-Sandy Springs-Roswell, GA
Bangor, ME
New York-Newark-Jersey City, NY-NJ-PA
Lewiston-Auburn, ME
Colorado Springs, CO
Santa Maria-Santa Barbara, CA
Boulder, CO
Fort Collins, CO
Santa Cruz-Watsonville, CA
Augusta-Waterville, ME
Oxnard-Thousand Oaks-Ventura, CA
St. Louis, MO-IL
Denver-Aurora-Lakewood, CO
Los Angeles-Long Beach-Anaheim, CA
San Jose-Sunnyvale-Santa Clara, CA
San Francisco-Oakland-Hayward, CA

BCBS
Cigna
Large group employers:
The merger is presumptively unlawful in 33 markets

- Richmond, VA: Pre-Merger HHI = 1683, Delta HHI = 2343
- Concord, NH: Pre-Merger HHI = 1936, Delta HHI = 572
- Virginia Beach-Norfolk-Newport News, VA-NC: Pre-Merger HHI = 1227, Delta HHI = 861
- Laconia, NH: Pre-Merger HHI = 2051, Delta HHI = 1665
- Berlin, NH-VT: Pre-Merger HHI = 1683, Delta HHI = 1134
- Lynchburg, VA: Pre-Merger HHI = 1650, Delta HHI = 748
- Claremont-Lebanon, NH-VT: Pre-Merger HHI = 1546, Delta HHI = 524
- New Haven-Milford, CT: Pre-Merger HHI = 1691, Delta HHI = 762
- Norwich-New London, CT: Pre-Merger HHI = 1509, Delta HHI = 726
- Indianapolis-Carmel-Anderson, IN: Pre-Merger HHI = 1509, Delta HHI = 776
- Terre Haute, IN: Pre-Merger HHI = 1546, Delta HHI = 847
- Hartford-West Hartford-East Hartford, CT: Pre-Merger HHI = 1134, Delta HHI = 889
- Portland-South Portland, ME: Pre-Merger HHI = 1683, Delta HHI = 705
- Torrington, CT: Pre-Merger HHI = 1683, Delta HHI = 811
- Manchester-Nashua, NH: Pre-Merger HHI = 1139, Delta HHI = 401
- Keene, NH: Pre-Merger HHI = 1139, Delta HHI = 401
- Bridgeport-Stamford-Norwalk, CT: Pre-Merger HHI = 1139, Delta HHI = 401
- Lafayette-West Lafayette, IN: Pre-Merger HHI = 938, Delta HHI = 1148
- Gainesville, GA: Pre-Merger HHI = 574, Delta HHI = 174
- Atlanta-Sandy Springs-Roswell, GA: Pre-Merger HHI = 866, Delta HHI = 356
- New York-Newark-Jersey City, NY-NJ-PA: Pre-Merger HHI = 811, Delta HHI = 340
- Bangor, ME: Pre-Merger HHI = 811, Delta HHI = 340
- Santa Cruz-Watsonville, CA: Pre-Merger HHI = 756, Delta HHI = 356
- Colorado Springs, CO: Pre-Merger HHI = 756, Delta HHI = 356
- Boulder, CO: Pre-Merger HHI = 756, Delta HHI = 356
- St. Louis, MO-IL: Pre-Merger HHI = 756, Delta HHI = 356
- Lewiston-Auburn, ME: Pre-Merger HHI = 756, Delta HHI = 356
- Fort Collins, CO: Pre-Merger HHI = 756, Delta HHI = 356
- Santa Maria-Santa Barbara, CA: Pre-Merger HHI = 756, Delta HHI = 356
- Augusta-Waterville, ME: Pre-Merger HHI = 756, Delta HHI = 356
- Denver-Aurora-Lakewood, CO: Pre-Merger HHI = 756, Delta HHI = 356
- San Francisco-Oakland-Hayward, CA: Pre-Merger HHI = 756, Delta HHI = 356
- Los Angeles-Long Beach-Anaheim, CA: Pre-Merger HHI = 756, Delta HHI = 356
- San Jose-Sunnyvale-Santa Clara, CA: Pre-Merger HHI = 756, Delta HHI = 356
Without aggregating the Blues, the merger is still presumptively unlawful in 19 markets.
Combined Party Shares in California Markets

<table>
<thead>
<tr>
<th>Region</th>
<th>ASO+FI</th>
<th>ASO only</th>
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<tbody>
<tr>
<td>Los Angeles-Long Beach-Anaheim, CA</td>
<td>56%</td>
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<tr>
<td>Oxnard-Thousand Oaks-Ventura, CA</td>
<td>54%</td>
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<td>San Francisco-Oakland-Hayward, CA</td>
<td>42%</td>
<td>23%</td>
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<td>San Jose-Sunnyvale-Santa Clara, CA</td>
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<tr>
<td>Santa Cruz-Watsonville, CA</td>
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<tr>
<td>Santa Maria-Santa Barbara, CA</td>
<td>52%</td>
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In Richmond, Cigna is Anthem’s top competitor for groups over 1,000

Cigna continues to present a very strong clinical/care management story, coupled with a great deal of financial flexibility. They remain our number one competitor in the 1,000+ arena.
In Connecticut, Cigna and Aetna are Anthem’s “toughest” competitors in large group, particularly in the municipal space.
For some employers, Anthem and Cigna are the only competitive options
In West, Anthem’s “top” strategy is a response to Cigna’s alternative-funding products

Top Strategies

Flexible Funding Arrangements
- Minimum Premium
- Anthem Balanced Funding
Cigna executives view
Anthem as a close competitor

Peter Welch,
Northern California:

Mark Butler,
New England:

Rich Novak,
Georgia:
Buy-Side
Buy-Side Market Shares

Richmond, VA
Concord, NH
Virginia Beach-Norfolk-Newport News, VA-NC
Berlin, NH-VT
Laconia, NH
Claremont-Lebanon, NH-VT
Lynchburg, VA
Terre Haute, IN
Indianapolis-Carmel-Anderson, IN
Norwich-New London, CT
Manchester-Nashua, NH
Keene, NH
New Haven-Milford, CT
Portland-South Portland, ME
Torrington, CT
Hartford-West Hartford-East Hartford, CT
Santa Maria-Santa Barbara, CA
Lafayette-West Lafayette, IN
Bridgeport-Stamford-Norwalk, CT
Gainesville, GA
Atlanta-Sandy Springs-Roswell, GA
Santa Cruz-Watsonville, CA
Bangor, ME
Colorado Springs, CO
Fort Collins, CO
Boulder, CO
New York-Newark-Jersey City, NY-NJ-PA
Oxnard-Thousand Oaks-Ventura, CA
Lewiston-Auburn, ME
St. Louis, MO-IL
Augusta-Waterville, ME
Denver-Aurora-Lakewood, CO
Los Angeles-Long Beach-Anaheim, CA
San Jose-Sunnyvale-Santa Clara, CA
San Francisco-Oakland-Hayward, CA

Anthem Share
Cigna Share
Buy-Side: The merger is presumptively unlawful in 28 markets

<table>
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<tr>
<th>Location</th>
<th>Pre-Merger HHI</th>
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<td>Denver-Aurora-Lakewood, CO</td>
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<tr>
<td>Los Angeles-Long Beach-Anaheim, CA</td>
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<tr>
<td>Augusta-Waterville, ME</td>
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<tr>
<td>Fort Collins, CO</td>
<td>652</td>
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Anthem’s reimbursement cuts could harm patient care

✓ Fewer investments
✓ Reduced quality
✓ Restricted access
Reimbursement cuts can affect care

Q. So you mentioned having to see more patients to make up for lower rates. Is that something that your practice has had to do in response to a rate decrease?

MR. LEE: Objection. Form.

A. My practice -- and this is not a secret. Every practice in the United States has pretty much had to do this. So, again, it's -- we're running faster trying to make it up on volume. You can do that on the short run. You're cutting corners. You're not engaging the patients.

One patient can blow up your schedule. Now you're running behind. And so it's -- there's this ripple effect, and you're trying to hold it together. That's what we're trained to do. We're professionals. We're struggling to do that. But it has a direct bearing on patient care outcomes.

Doctor, Colorado dep. 40:2–16 (10/21/2016)
Even insurers—like [name]—recognize the risk of lowering reimbursements

Executive director of national provider contracting, [name]

dep. 38:17–39:2 (10/13/2016)
Anthem identified Cigna as its closest competitor for value-based arrangements

We lead the market in the depth and breadth of our value-based programming, Cigna is our closest competitor.