



**ADVOCACY & BENEFITS COUNSELING FOR HEALTH**

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September 16, 2003

Office of the Commissioner of Insurance  
Attn: Mr. Guenther H. Ruch  
125 South Weber Street  
Madison, WI 53703

**Re: Preliminary Comments Concerning Acquisition of Cobalt Corporation by  
WellPoint and Request to Extend Comment Period.**

Dear Mr. Ruch:

We respectfully request that you extend the period for public comment concerning the acquisition of Cobalt Corporation by WellPoint. We are perplexed why such a short public comment period of one week was given when in the past public hearings have usually had a thirty day comment period. **Therefore we ask that you extend the period for public comment until October 8, 2003.** This merger will affect at least a million Wisconsin lives that will now be insured by WellPoint. Policyholders and the Wisconsin public at large must be given adequate time to weigh in on their fate, regardless of WellPoint's attorney's urgings to hurry the process. Furthermore, such a short comment period is not adequate given that the recommendations to you by the Senior Insurance Examiner, Mr. Steven Junior, were publicly posted on your website on September 10<sup>th</sup>, just three business days before the end of the comment period. Given that the hearing was poorly attended and publicized, it is evident that not enough opportunity has been given for public scrutiny of this merger.

The staff of ABC for Health, Inc. and myself have been monitoring the activities of Blue Cross-Blue Shield (BCBS) of Wisconsin, its current incarnation as the Cobalt Corporation and the associated Wisconsin United for Health Foundation (WUHF) since 2000 when it was first made public that BCBS planned to become a for-profit entity. As you may well remember, we expressed misgivings as to whether or not the proposed use of the funds entrusted to WUHF would best serve the health needs of the people of Wisconsin.

When it was announced earlier this year that WellPoint would purchase the Cobalt Corporation, our concerns increased. We were pleased to hear that the value of the stock held by WUHF would dramatically increase in value as a result of this acquisition and thus increase the resources available for improving the health of Wisconsinites. But at the same time, we became worried about the ultimate fate of those enrolled in Blue Cross-Blue Shield health insurance through the Cobalt Corporation.





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It is evident from your correspondence with the WellPoint attorneys that you are aware of WellPoint's tarnished track record. However, your investigation into these serious matters yielded less than complete answers from WellPoint's attorneys. For example, during your review, you inquired about the subpoena served to WellPoint for the CareFirst transaction and the fine levied to one of WellPoint's subsidiaries in Texas, UNICARE, for poor reimbursement practices. Responses given by WellPoint's attorneys were not in depth and Mr. Junior's Recommendations, dated September 3<sup>rd</sup>, 2003, do not even mention these transgressions, nor do they mention a similar incident in which the Maryland Insurance Administration called on the federal Department of Justice to investigate the purchase of their state's Blue Cross-Blue Shield insurer by WellPoint. These practices, which pose a great threat to the Wisconsin public, must be heavily weighed in your decision.

We are also concerned that you have not given due consideration to the fact that just last month WellPoint dropped 15,000 Medicaid recipients in California and terminated relationships with the Medicaid program in Texas. In the same vein, before WellPoint ever made its purchase offer, the Cobalt Corporation had already drastically reduced its own level of participation in Wisconsin's Medicaid and BadgerCare programs since 2000, cutting off hundreds of thousands of enrollees. Given that both parties in this transaction show a waning level of commitment to public health programs, the future does not seem bright for Wisconsin's Medicaid and BadgerCare recipients currently covered under Cobalt.

Finally, it is important to take into account the history of this transaction. Cobalt's status as a for-profit corporation has been very short-lived. Prior to that, it was a non-profit corporation, Blue Cross Blue Shield of Wisconsin, just like CareFirst, Inc., in Maryland. It seems that Blue Cross Blue Shield of Wisconsin and WellPoint are trying to accomplish in two steps what was not possible to do in one step in Maryland. However, we must remember that when BCBS applied to the OCI for non-profit status, promises were made by BCBS executives— Penny Siewert, Senior Vice President of Blue Cross Blue Shield said that there were “no plans to terminate or reduce any services in any region as a result of the conversion,” and Thomas Hefty, the CEO of BCBS said that “the plan of conversion does not contemplate any change in the terms, rates or premiums for health insurance policyholders,” (OCI hearing, Steven's Point Wisconsin 11/30/99). These promises may now be broken with the second step in this process—the sale to WellPoint. The conversion underwent a far more rigorous investigation than this proposed sale has, but with this sale, there will be changes in services, terms and rates for former BCBS policyholders. WellPoint should be held to the same terms and conditions that they would be held to if they were acquiring the former non-profit, Blue Cross Blue Shield United of Wisconsin.



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We believe it is imperative for you to further question the leadership of the Cobalt Corporation and WellPoint about how their merger will affect the people of Wisconsin, particularly in light of these companies' own past actions, and to give Wisconsin's public at least thirty days to comment on this transaction.

Sincerely,

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cc Pat Simms, Wisconsin State Journal  
Aaron Nathans, The Capital Times  
Joe Manning, Milwaukee Journal Sentinel  
Helene Nelson, Secretary, Department of Health and Family Services  
Jorge Gomez, Office of the Commissioner of Insurance