

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF KANSAS**

In the Matter of the Conversion and            }  
Acquisition of Blue Cross and Blue         }  
Cross and Blue Shield of Kansas, Inc.        }

Docket No. 3014-DM

**PREFILED DIRECT TESTIMONY OF  
DONNA O. MOORE**

Q. Please state your name and your position with Anthem Blue Cross and Blue Shield (“Anthem” or “Anthem Blue Cross and Blue Shield”).

A. My name is Donna O. Moore, and I am Vice President, Health Care Management for Anthem Blue Cross and Blue Shield’s East operating region, which consists of our Blue Cross and Blue Shield plans in Connecticut, Maine and New Hampshire.

Q. Please summarize your testimony.

A. I will describe how the Anthem Blue Cross and Blue Shield operating model works in practice from my perspective as a manager in a regional environment. Anthem BCBS understands that health care is a local activity. As such, medical and competitive attributes, including employer purchasing preferences and hospital, physician and other medical professional’s activity, will differ from state to state.

Anthem’s operating structure reflects the local nature of health care delivery. Quality improvement, network development, hospital and physician education and service, medical management, case management, medical director support and all other functions that directly impact our customers and networks are designed and implemented by managers in Anthem’s various locations to best suit the communities in which they live and work.

Q. Please describe generally the local and regional structure Anthem utilizes.

A. Local business units, with locally accountable leadership and management, are at the core of Anthem's strategy. Together, local management works with Anthem's regional staff to establish policies, procedures and best business practices with respect to each of the operating activities. The local staffs are then responsible for implementing these policies, procedures and practices within the framework and unique characteristics of each specific state or community.

Each of the activities performed within a state, with varying input from and coordination with regional peers, is central to the effective delivery of health plan services to our local markets. These activities include such core functions as sales and marketing, customer service and claims, product development, quality improvement, network development, medical and case management, grievances and appeals and care management. The ability of Anthem to respond to local markets while enjoying synergies between local health plan managers and regional support functions demonstrates the strength of our operating model.

Q. Please describe how sales and marketing is performed within this local operating model.

A. Sales and marketing activities at the local level focus on identifying local product needs and working with the local management team to develop products that respond to them. Within a state, sales and marketing management works closely with the health care management team to develop hospital, physician and other medical professional networks that are responsive to local needs. Local sales and marketing management provides an effective and immediate form of feedback for the health care management team when considering local medical management decisions and practices.

Q. Please describe how product development is performed within this local operating model.

A. Product development activities are locally focused and managed collaboratively between local health plan management and regional Product Development management. Each Anthem region has established a Product Development functionality. This function is responsible for facilitating the development of products with local health plan managers. Focus groups led by Product Development involve various functional areas, including Network Development, Medical Management, Quality Improvement, Sales, Customer Service, Claims and Systems. Together, representatives from each of these functional areas identify and develop new products for each local market.

Q. Please describe how quality improvement is performed within this local operating model.

A. Quality Improvement is one of the key functions performed at the local level. Clinical quality initiatives are developed jointly between the regional staff and local QI staff, taking advantage of economies of scale where possible. To give an example, current initiatives that we are pursuing in the Anthem East region include working to improve, in all three states, our HEDIS results relative to outpatient care follow-up after a behavioral health inpatient discharge. While our HEDIS results have been at or near the top in most categories, we believe improvement in this particular standard is an important priority for our members.

Q. Please describe how network development is performed within this local operating model.

A. Activities related to the development and maintenance of hospital, physician and other medical professional networks, including provider contracting and decisions

regarding network composition, are made locally. These decisions consider Anthem's network adequacy standards, our credentialing standards (which mirror NCQA standards), competitive network configurations and the feedback we receive from local customers.

An example of an activity that occurs at the regional level in support of local network development is the development of regional hospital and physician contract formats that can be customized for local use.

Q. Please describe how medical and case management are performed within this local operating model.

A. Medical Management and Case Management also occur locally. These activities focus on managing specific types of health care utilization. Initiatives focus on areas in which the local experience is unusual or where there is opportunity to produce improved health outcomes. For example, in Connecticut, one initiative creates a transplant unit where a member in need of a transplant will have all their health plan needs (administrative, service, clinical) met by a cross-functional team.

In performing medical management and case management, Anthem employs onsite medical directors to work with the local provider community. Medical Directors are located and licensed in each state and interact with all functional areas of our company. Each local Medical Director has final decision-making capability within the state on all clinical issues. Anthem's local Medical Directors also take the lead in working with local hospitals, physicians and other medical professionals, including by soliciting their input on many of Anthem's local initiatives.

Q. Please describe how grievances and appeals are performed within this local operating model.

A. Grievances and appeals originating from both physicians and members are addressed locally. Within each state, there is a local committee comprised of representatives from customer service, claims, medical management, network development, legal, quality improvement, medical policy and the local Medical Director. Prior to a member hearing, representatives from all areas review each case and each member is given the opportunity to present his or her case to all members of the local committee.

Q. How are the local operating units supported by Anthem's regional structure?

A. One of the strengths of Anthem's operating model is the support that a regional infrastructure provides local managers. With regional support, local managers have the resources and strategic and tactical support that enables them to concentrate on activities that are most important to local markets. By performing a number of support activities at the regional level, Anthem is also able to create administrative efficiencies and economies of scale while ensuring that the local health plan is able to focus on meeting customer needs locally. Examples of the types of activities that local management "borrows" from the region include financial analysis, data analysis and interpretation, draft contract preparation, fee schedule analysis and utilization management criteria development.

Because these support activities are performed regionally, local managers have the freedom to focus their energy on the specific needs and issues of their local markets.

An example of the strength of this model can be found in looking at Anthem's approach to contracting with hospitals, physicians and other medical professionals.

Local management can call on regional resources to assist in the preparation of contracts and the collection and analysis of provider utilization and reimbursement data. Because

these core functions are performed regionally, local managers have the luxury of focusing on executing interactive negotiation and contracting strategies that meet the needs of their markets. Anthem Blue Cross and Blue Shield believes that this local execution yields markedly improved relationships with hospitals and physicians, which are the cornerstone of Anthem's commitment to our Mission: to improve the health of the people we serve. We recognize we must establish and nurture strong, productive and lasting relationships with hospitals, physicians and other health care professionals to achieve Anthem Blue Cross and Blue Shield's mission.

The other strength of our model is its flexibility and recognition of differences in local markets. Although the company establishes objectives with respect to many health plan activities, local managers have the authority to identify and implement tactics that are responsive to local markets.

This approach also applies to certain operating policies. For example, Anthem's regions usually establish provider network adequacy standards and provider credentialing standards. In some rural counties, local managers may have to modify credentialing standards to meet network access standards and local market needs. The managers have the authority to make these decisions.

In summary, Anthem's operating model creates an effective balance between the need to be responsive to local market differences and the efficiencies and economies of scale that are available to a regional company. Within this model, Anthem Blue Cross and Blue Shield can maintain and strengthen the Blue Cross and Blue Shield system's tradition of locally-focused health plans.

Q. Does this conclude your testimony?

A. Yes.

Respectfully submitted,

Donna O. Moore

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing was served upon counsel by depositing same in the United States Mail, first class postage prepaid, on this \_\_\_\_ day of December 2001, properly addressed as follows:

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