



# U.S., et al. v. Anthem, Inc. and Cigna Corp.

Phase 2 Rebuttal Testimony of David Dranove, Ph.D.

(Public, Redacted Version)

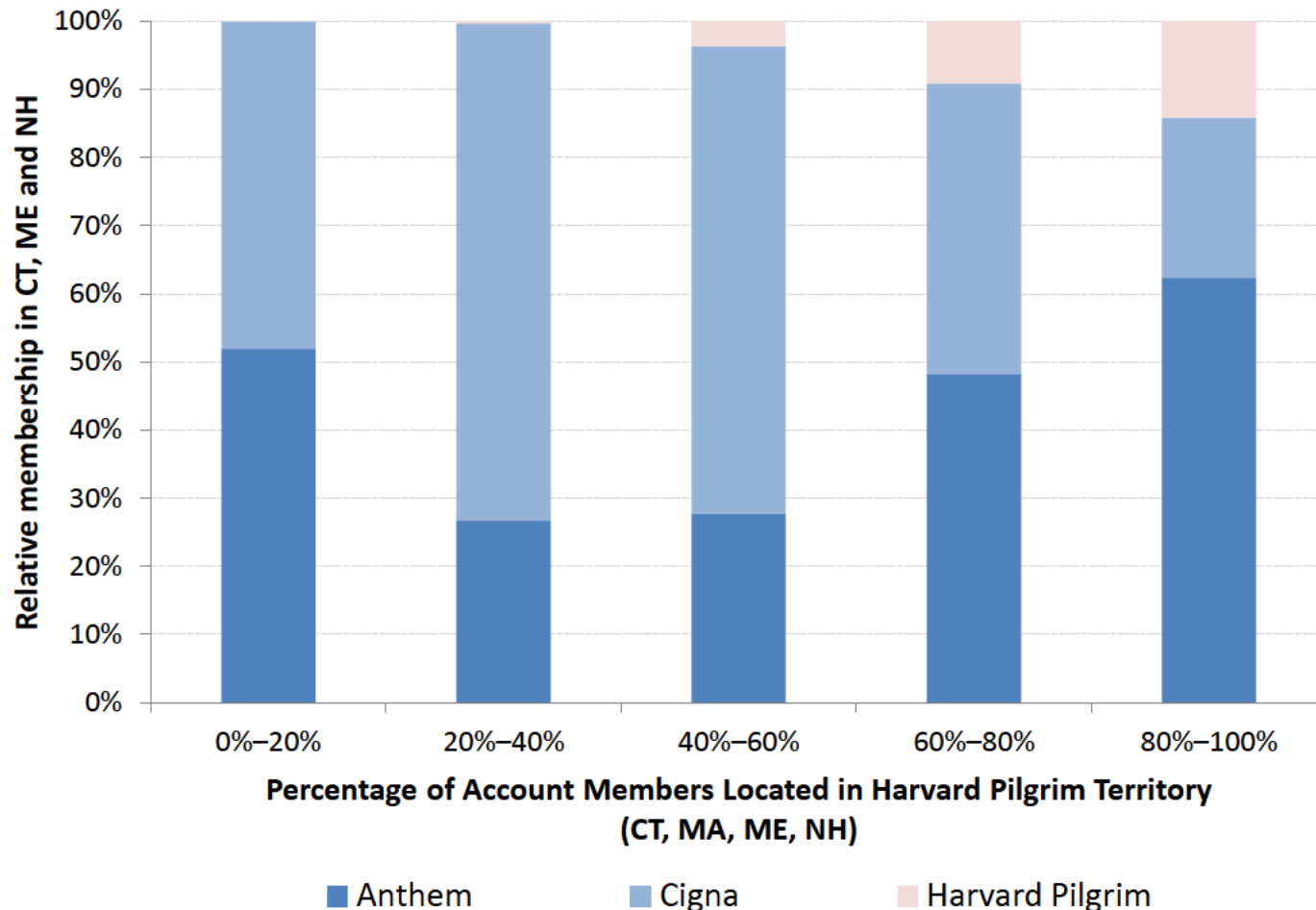
**PLAINTIFFS'**  
**EXHIBIT**  
J.S. v. Anthem et al., Civ. No. 16-cv-1193  
**PDX044**

# Large Group Geographic Market

- Market is for sale of insurance, not sale of local provider networks
- Patient travel is not relevant
  - Patient flow arguments rejected in literature and merger case law
- Each CBSA passes hypothetical monopolist test
  - Employers will not stop providing insurance, self-supply, or relocate in response to SSNIP

# Geographic Concentration in Anthem States

Relative Membership for Anthem, Cigna and Harvard Pilgrim  
by the Percentage of Account Members Located in  
Harvard Pilgrim Territory



# Prof. Willig's Win-Loss Analysis Is Unreliable

- Prof. Willig excludes many observations due to failure to match
  - Anthem data less complete and for different set of customers than Cigna data
  - Biases diversions between Anthem and Cigna downward
- Prof. Willig fails to condition upon incumbency

# “Best of Best” M&N Savings

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- Testimony from head of integration team
  - Tr. at 1490: after closing, NewCo needs to go through clean room “and actually start to go in geography-by-geography, provider-by-provider to identify where we would turn on affiliate language versus where we might recontract, versus where we might more focus on our rebranding strategy”
  - Tr. at 1597: “[W]e still have to go through the step of putting the teams in the clean room to actually say what lever are we going to pull? Is it a recontracting lever? Is it a branding lever? Is it use of affiliate language?”

# “Best of Best” M&N Savings

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- Testimony from head of integration team
  - Tr. at 1600: “certainly we have to get a lion’s share of the Cigna customers in our local 14 markets to migrate to the Blue brand to ultimately be compliant”

# Rebranding: Not Merger-Specific

- Three flaws with Dr. Israel's claim that rebranding with a "new" product is merger-specific
  - Anthem is capable of improving its products without the merger
  - Inherent contradiction within Dr. Israel's argument
  - Claim of "new" product is speculative

# Rebranding: Not Merger-Specific

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- Dr. Israel's Phase 2 testimony
  - Tr. at 4379: “My understanding of what ‘re-branding’ means is not taking a Cigna customer – having a Cigna customer choose the Anthem product as it exists today”
  - Tr. at 4380: “Ultimately, my understanding is that there will be this combined better product we have talked about . . . which is largely the Cigna front end with the improvements from the Anthem network”



# Rebranding: Not Merger-Specific

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- Testimony from head of integration team
  - Tr. at 1580: “I’ve had no interaction” with “either Dr. Israel or Compass Lexecon”
  - Tr. at 1599: in short-term, rebranding is “no different than if you’re out selling new business in the market on a day-to-day basis”

# Rebranding: Not Merger-Specific

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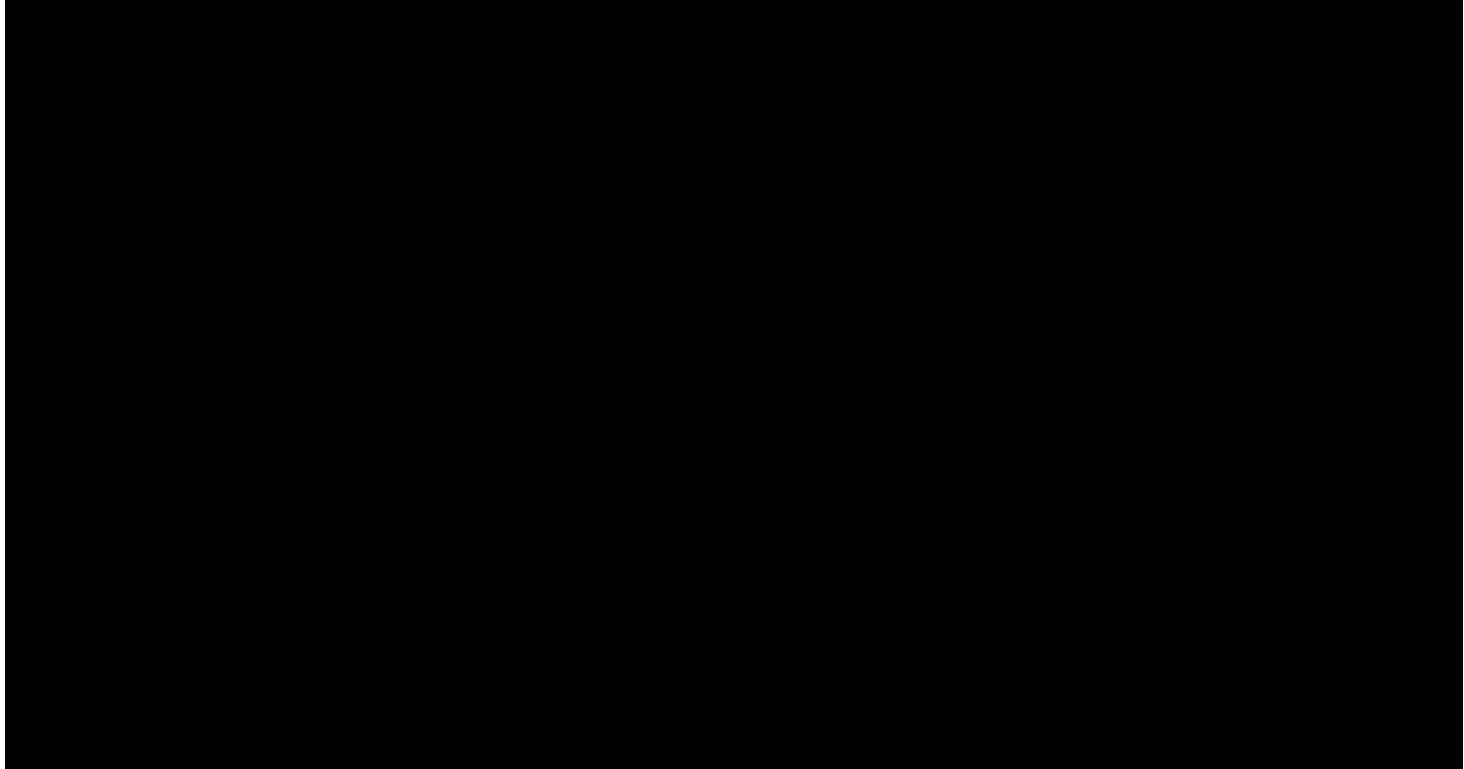
- Testimony from head of integration team
  - Tr. at 1530: “The steering committee has not taken up the long-term question with regard to brand strategy”
  - Tr. at 1595: need “further Cigna engagement” with respect to “longer go-to-market strategy”
  - Tr. at 1521: “from date of close to actually getting all the products aligned for large group market is going to take us some time”; “we won’t have a completely steady state model in place until, you know, 2019 in this case”

# Rebranding: Not Merger-Specific

- Testimony from head of integration team
  - Tr. at 1606: “one of the carrots, if you will, in the short term with rebranding Blue is a better price point”
  - Tr. at 1606: “Over the long haul, again, the vision is we combine Cigna features that their customers find valuable with Anthem features”

# Lower Provider Rate Calculations

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# Lower Provider Rates Will Not Pass-Through Completely to ASO Customers

- Dr. Israel ignores the merged firm's incentives to maximize profit
- Dr. Israel ignores evidence in the record of plans to capture lower medical costs from ASO customers
  - *E.g.*, PX0727