

Anthem Health Plans of Kentucky, Inc – Small Group

This filing is for Anthem's 2021 small group non-grandfathered ACA block of business. The initially filed average rate increase request was for 9.0%. During the course of our review, the Company agreed to lower the rate requested, including changes to morbidity and risk adjustment assumptions. After this revision, the final requested average rate increase is 6.0%, with increases ranging from -1.2% to 17.8%.

Anthem is projecting 167,846 member months in 2021. The 2019 base experience had 580,581 member months. Anthem saw a significant drop in membership from 2019 to 2020 and continual decline from 2020 to 2021, as the market has shifted towards alternative products outside of the ACA marketplace.

The anticipated claims, net of risk adjustment divided by expected earned premium produces a pricing loss ratio is 85.1% for 2021. This is equivalent to an 84.3% ACA-defined MLR for rebate calculation purposes.

Anthem is assuming an annual trend rate of 11.5% projected for 24.4 months. The company developed its trend by normalizing historical benefit expense for changes in the underlying population and known cost drivers, which are then projected forward to develop the pricing trend. Examples of such changes include contracting, cost of care initiatives, workdays, average wholesale price, expected introduction of generic drugs, and expected changes in utilization driven by COVID-19 and other changes in practice patterns.

This filing was reviewed by an actuary and additional information was requested. Anthem's actuary responded with answers and spreadsheet exhibits. The Company provided supporting documentation for its assumptions, although given the wide range of possible scenarios, magnitude and uncertainty of actual market purchaser characteristics, it is not unlikely that results will vary from the company's assumptions.

The filing has been analyzed with respect to the items required pursuant to 806 KAR 17:150. During the course of our review, the Company agreed to lower the rate requested, including changes to morbidity and risk adjustment assumptions. After this revision, the final approved average rate increase is 6.0%, with increases ranging from -1.2% to 17.8%.